



PROJECT PROPOSAL

SECOND REFINANCING OF EXISTING DEBT FOR AGUA SPECIAL UTILITY DISTRICT IN TEXAS UNDER THE REFINANCING UMBRELLA OF THE NADB COVID-19 RECOVERY PROGRAM

Published: May 21, 2021



CONTENTS

INTRODUCTORY NOTE.....	1
EXECUTIVE SUMMARY.....	2
1. PROJECT OBJECTIVE AND EXPECTED OUTCOMES	4
2. ELIGIBILITY	4
2.1. Project Type.....	4
2.2. Project Location.....	5
2.3. Project Sponsor and Legal Authority.....	5
3. CERTIFICATION CRITERIA.....	6
3.1. Technical Criteria.....	6
3.1.1. General Community Profile	6
3.1.2. Project Scope.....	11
3.1.3. Technical Feasibility.....	11
3.1.4. Land Acquisition and Right-of-way Requirements.....	11
3.1.5. Project Milestones.....	11
3.1.6. Management and Operation.....	11
3.2. Environmental Criteria	12
3.2.1. Environmental and Health Effects/Impacts	12
A. Existing Conditions	12
B. Project Impacts.....	12
C. Transboundary Impacts.....	1
3.2.2. Compliance with Applicable Environmental Laws and Regulations.....	13
A. Environmental Clearance	13
B. Mitigation Measures	13
C. Pending Environmental Tasks and Authorizations	13
3.3. Financial Criteria.....	13
4. PUBLIC ACCESS TO INFORMATION	14
4.1 Public Consultation.....	14
4.2 Outreach Activities	14

INTRODUCTORY NOTE

In response to the crisis caused by the COVID-19 pandemic, the NADB Board of Directors approved a temporary, two-year financing program in May 2020 to support projects that have both environmental benefits and direct positive impacts on the economy and well-being of residents in the U.S.-Mexico border region. Under the COVID-19 Recovery Program (ProRec), the Board may consider approval of loan proposals for refinancing existing debt on environmental infrastructure (public and private projects) or for public entities, such as water utilities, whose mandate is aligned with the NADB mission, as well as projects that have a recognizable environmental benefit but are focused on delivering significant social, health or economic benefits to border communities.

In November 2020, the Board certified and approved funding for an umbrella program for under ProRec to expedite the refinancing of existing debt for public entities affected by COVID-19. The Umbrella Program for Refinancing Existing Debt of Public Entities establishes the guidelines and expedited procedures for the certification and financing of these types of operations, which in general have similar characteristics. Individual projects under the umbrella program shall be approved in accordance with the following procedures:

- A. Approval of project proposal by the NADB Technical and Environmental Committee and Funding Committee.
- B. Publication of the proposal for a 30-day public comment period, with no unresolved comments.
- C. Ratification of compliance with the eligibility criteria by the Managing Director and Chief Environmental Officer.
- D. Notification sent to the Board of Directors within 15 days of financial closing.

EXECUTIVE SUMMARY

SECOND REFINANCING OF EXISTING DEBT FOR AGUA SPECIAL UTILITY DISTRICT IN TEXAS

UNDER THE REFINANCING UMBRELLA OF THE NADB COVID-19 RECOVERY PROGRAM

Project: The proposed project consists of refinancing existing debt of the water utility, Agua Special Utility District (Agua SUD or the “Utility”), which serves communities in Hidalgo and Starr Counties in Texas (the “Project”). This proposal meets the eligibility requirements of the NADB ProRec Umbrella Refinancing Program.¹

Project Objective: The purpose of the Project is to refinance US\$2.0 million in existing debt for Agua SUD in order to reduce debt service requirements and thus increase available cash flows for the maintenance and operation of existing infrastructure, lessen the need to raise rates and allow the Utility to continue providing water and wastewater services for the benefit of its customers.

Expected Outcomes: The estimated outcomes resulting from the refinance of US\$2.0 million in existing debt for Agua SUD are:

- i) Annual savings of US\$17,000 on average for 21 years, representing 3.2% of system repair and replacement expenses or 1.6% of the cost of water production and treatment in 2020.
- ii) Another way of presenting these debt service savings would be their net present value over the full 21-year tenor, which is of US\$257,189.

The expected outcomes resulting from the proposed Project, in combination with the previous US\$13 million loan executed with Agua SUD in December 2020, are:

- i) Annual savings of US\$157,000 on average, over the life of the two loans, representing 29.8% of system repair and replacement expenses or 14.6% of the cost of water production and treatment in 2020; or
- ii) A net present value of US\$2.33 million in savings over the life of both loans.

¹ The first project approved under the Umbrella Program was the Refinancing of Existing Debt for Agua SUD for US\$13 million (Nov. 2020). The proposed project is the second under this programmatic approach.

These savings will:

- i) Improve liquidity to facilitate the ongoing provision of critical water and wastewater services; and
- ii) Less likelihood of possible rate increases for water and wastewater services.

Population to Benefit: Approximately 29,600 residents in the area served by Agua SUD.²

Project Sponsor: Agua SUD.

Borrower: Agua SUD.

Project Cost: US\$2.0 million.

NADB Loan: US\$2.0 million, through the Umbrella Program for Refinancing Existing Debt of Public Entities under the NADB COVID-19 Recovery Program.

Uses and Sources of Funds:
(US\$ million)

Uses	Amount	%
Refinancing of existing debt	\$ 2.0	100.0
TOTAL	\$ 2.0	100.0
Sources	Amount	%
NADB loan	\$ 2.0	100.0
TOTAL	\$ 2.0	100.0

² Source: U.S. Census Bureau, 2019.

PROJECT PROPOSAL

SECOND REFINANCING OF EXISTING DEBT FOR AGUA SPECIAL UTILITY DISTRICT IN TEXAS

UNDER THE REFINANCING UMBRELLA OF THE NADB COVID-19 RECOVERY PROGRAM

1. PROJECT OBJECTIVE AND EXPECTED OUTCOMES

The project consists of refinancing US\$2.0 million in existing debt for the water utility, Agua Special Utility District (Agua SUD or the “Utility”), which serves communities in Hidalgo and Starr Counties in Texas (the “Project”). The refinancing will be approved and implemented through the Refinancing Umbrella of the NADB COVID-19 Recovery Program (ProRec).

The purpose of the Project is to reduce debt service requirements and thus increase available cash flows for the operation and maintenance of existing infrastructure, as well as lessen the possible need to raise rates and help the Utility to continue providing critical water and wastewater services for the benefit of its customers. The refinancing is expected to generate annual savings of roughly US\$17,000 over 21 years—which represents 3.2% of system repair and replacement expenses or 1.6% of the Utility’s cost of water production and treatment in 2020. The net present value of these savings over the full 21-year tenor of the loan is US\$257,189.

In December 2020, Agua SUD refinanced US\$13 million of its existing debt through the NADB ProRec Refinancing Umbrella Program. The US\$2.0 million to be refinanced through this project was not included in the original proposal because it was not callable at that time. The savings of both loans averages US\$157,000 annually, which represents 29.8% of system repair and replacement costs or 14.6% of the cost of water production and treatment in 2020.

2. ELIGIBILITY

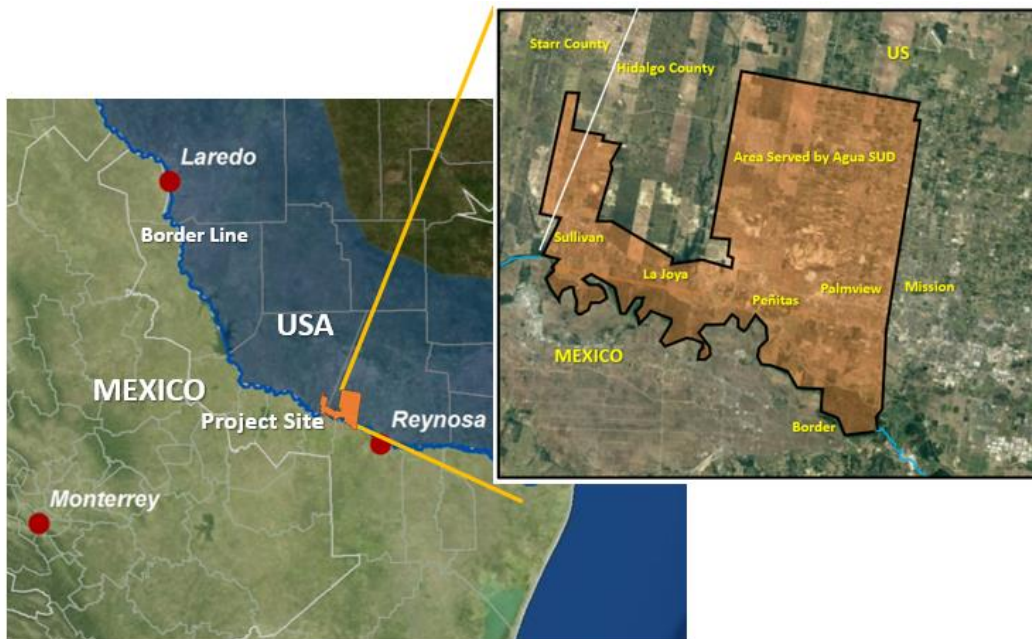
2.1. Project Type

The Project complies with the requirements of the COVID-19 Recovery Program, as the sponsor is a public entity whose mandate is aligned with the NADB mission, given that the Utility provides water and wastewater services to border residents.

2.2. Project Location

Agua SUD serves the southwestern region of Hidalgo County and a small suburban area of Sullivan City in the southeastern corner of Starr County, adjacent to the U.S.-Mexico border. Its headquarters are located in the city of Palmview in Hidalgo County. The geographical coordinates of the Utility offices are approximately 26°15'08.71"N and 98°23'42.75"W. Figure 1 shows the location of the area served by the Utility.

Figure 1
AREA SERVED BY AGUA SUD



2.3. Project Sponsor and Legal Authority

The public-sector Project sponsor is Agua SUD, which provides drinking water and wastewater collection and treatment services to its customers in Hidalgo and Starr Counties. In June 2005, the La Joya Water Supply Corporation became Agua SUD through the enactment of the Texas Special District Local Laws Code. Agua SUD has legal authority through Certificates of Convenience and Necessity (CCN) Nos. 10559 and 20785 issued by the Public Utilities Commission of the State of Texas, to develop, operate and maintain water and wastewater infrastructure within Hidalgo County and Starr County.³ Approximately 95% of the Agua SUD service area is within Hidalgo

³ Source: Texas Commission on Environmental Quality (TCEQ), https://www.tceq.texas.gov/assets/public/comm_exec/agendas/comm/backup/Agendas/2012/1-11-2012/2011-1135-UCR.pdf. A Certificate of Convenience and Necessity (CCN) gives the holder the exclusive right to provide retail water and/or sewer service to a specific geographic area. The CCN obligates the utility to provide continuous and adequate service to every customer who requests service in that area.

County, and the remaining 5% corresponds to a small suburban area outside Sullivan City that extends into Starr County.

3. CERTIFICATION CRITERIA

3.1. Technical Criteria

3.1.1. General Community Profile

The population in the area served by Agua Sud was estimated at 29,658 in 2019, which represents 0.1% of the state population.⁴ Agua SUD mainly serves rural and economically distressed communities that had an average poverty rate of 34.5% in 2019, which is considerably higher than the 14.9% poverty level estimated for the state of Texas. The median household income (MHI) in 2019 was estimated at US\$32,733, which is considerably less than the US\$61,874 estimated for the state.⁵

Table 1
GENERAL DEMOGRAPHIC DATA FOR THE AREA SERVED BY AGUA SUD

Location	Population (2019 Estimates)	Median Household Income (USD)	Persons in poverty, (Percent)	Total Housing Units
Palmview ^{a)}	5,774	\$ 29,419	27.9 %	2,058
Palmview South ^{a)}	5,575	38,438	32.3	2,247
Peñitas ^{b)}	4,716	43,438	21.4	1,444
Sullivan ^{b)}	4,170	27,917	31.6	1,449
La Joya ^{b)}	4,293	28,414	41.6	1,337
Citrus ^{b)}	2,321	20,532	72.5	747
Abram-Perezville ^{c)}	2,067	37,881	30.3	561
Havana ^{b)}	407	21,397	63.5	118
Los Ebanos ^{b)}	335	26,080	38.3	121
Totals	29,658			10,082
Weighted averages		\$ 32,733	34.5%	

a) Source: U.S. Census Bureau (<https://www.census.gov/programs-surveys/popest.html?intcmp=serp>).

b) Source: City-data (<http://www.city-data.com/>).

c) Source: City-Data (<https://www.city-data.com/income/income-Abram-Perezville-Texas.html>).

Due to its precarious economic situation, areas of Starr and Hidalgo Counties have been designated by the U.S. Federal Government as a Qualified Opportunity Zone (QOZ). The QOZ Program was created through the Tax Cuts & Jobs Act of 2017 and is a federal initiative administered by the U.S. Department of Treasury. The program is designed to spur economic development and job creation in distressed communities throughout the United States. It offers

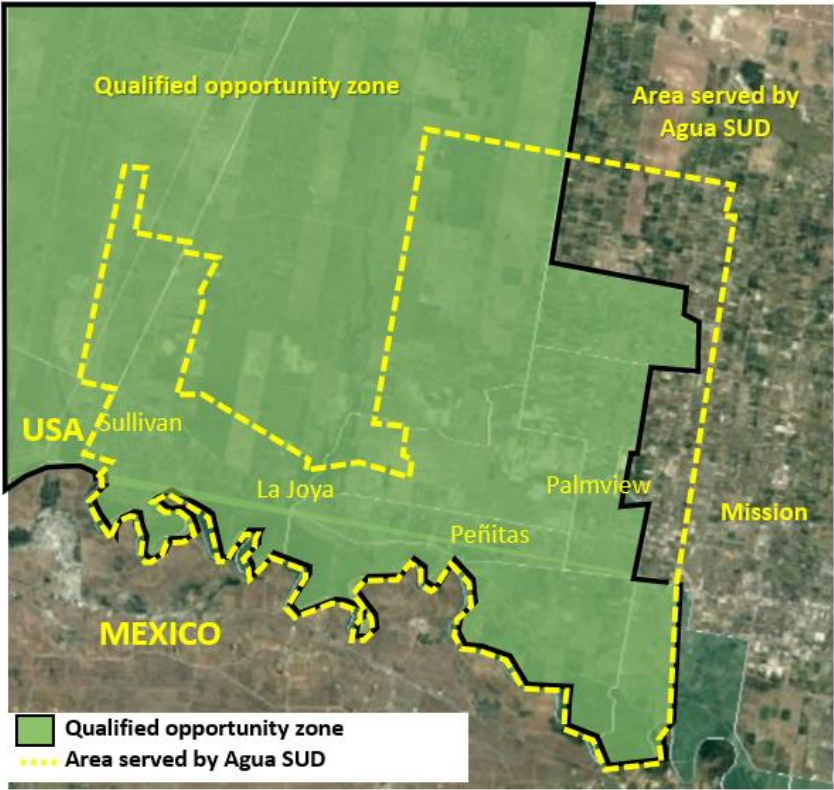
⁴ The population was calculated using U.S. census data for the largest localities within the service area.

⁵ Source: U.S. Census, QuickFacts website, <https://www.census.gov/quickfacts>

incentives, in the form of capital gains tax abatement, for those who invest eligible capital into QOZ assets even if they do not live, work, or have an existing business in the QOZ.

On March 22, 2018, Governor Greg Abbott submitted the state’s QOZ designations to the U.S. Treasury Department to encourage long-term investment in eligible Texas communities. A multi-step process was used to identify eligible areas in Texas in particular need due to chronic unemployment, low population density and significant economic disruptors, such as natural disasters. Figure 2 shows the QOZ in the area served by Agua SUD.

Figure 2
QUALIFIED OPPORTUNITY ZONE IN AREA SERVED BY AGUA SUD



The infrastructure and public services of Agua SUD are described in the following table.

Table 2
BASIC INFRASTRUCTURE AND PUBLIC SERVICES PROVIDED BY AGUA SUD ^{a)}

Water			
Coverage:	99%		
Water supply source: ^{b)}	Rio Grande River; La Joya Lake; 492 Reservoir; and Abram Reservoir.		
Number of hookups:	16,508		
Wastewater Collection			
Coverage:	9%		
Number of connections:	1,482		
Wastewater Treatment ^{c)}			
Coverage:	100%		
Treatment facilities:	Plant	Type	Capacity
	Sullivan City	Activated sludge	1.4 mgd

a) Source: AGUA SUD Comprehensive Annual Financial Report, December 31, 2019.

b) Source: Agua SUD Annual Drinking Water Quality Report, 2019.

c) Source: Agua SUD web page, <https://www.aguasud.org/sullivan-city-sewer-project>.

Agua SUD is currently implementing infrastructure improvement projects in its drinking water and wastewater systems within its service area, which will expand and improve services for area residents. On May 30, 2020, Agua SUD received a US\$6.0-million grant through the NADB Border Environment Infrastructure Fund (BEIF), which will help provide first-time access to wastewater collection and treatment services for nearly 1,850 households in the city of Palmview, Texas, and decommission the same number of on-site septic tanks and cesspools. This BEIF-funded project is currently under construction and is expected to be completed in December 2021. As a result of this project, wastewater collection coverage will increase from 9% to 20% in the Agua SUD service area. The Utility has entered an interlocal agreement with the City of Mission to purchase 2.5 million gallons a day of capacity to treat the new wastewater flows collected in Palmview. ⁶

Current COVID 19 Situation

Nationwide in the U.S.

Since the outbreak in March 2020, the virus has been spreading exponentially to all nations and all U.S. states. According to the U.S. Center for Disease Control and Prevention (CDC) as of May 17, 2021, the United States had reported 32,407,100 COVID-19 infections with a total death toll of 579,735. The state of Texas with 2,920,950 total infections and 49,884 deaths for the same period, has the 2nd highest number of cases in the country—just after California. ⁷

⁶ The Mission wastewater treatment plant is not operated by Agua SUD and has the capacity to treat 9.0 mgd and currently receives an average flow of 6.2 mgd. (<https://missiontexas.us/city-departments/public-works/wastewater-treatment/>).

⁷ Source: USA Facts, [<https://usafacts.org/visualizations/coronavirus-covid-19-spread-map/>]

To assist in the recovery from the COVID-19 pandemic, the U.S. Government has responded in several ways. In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed by Congress, providing an economic relief package exceeding US\$2 trillion. This law included the US\$150-billion Coronavirus Relief Fund to provide aid for state, local and tribal governments. It also is providing direct relief to American households, which as of June 2020, totaled US\$267 billion. Moreover, the U.S. Small Business Administration has assigned US\$376 billion in relief for American workers and small business. Likewise, the Federal Reserve established a US\$500-billion Municipal Liquidity Facility to help state and local governments better manage cash flow constraints in order to continue to serve households and businesses in their communities.

During 2020, the White House issued executive orders to address the COVID-19 pandemic on a variety of topics, including allocation of medical resources; extending deadlines for certain payments; and supporting the economic recovery. The Executive Branch also implemented various programs within its agencies and departments to tackle the pandemic. In particular, EPA undertook efforts to preserve the health and safety of the public, including: (i) issuing guidance on emerging viral pathogens for antimicrobial pesticides; (ii) establishing the Temporary COVID-19 Enforcement Policy; (iii) providing information on water and wastewater; (iv) identifying and providing personal protective equipment; and (v) establishing indoor air quality protection measures.

On January 21, 2021, the Biden-Harris Administration issued its National Strategy for the COVID-19 Response and Pandemic Preparedness outlining an actionable plan across the federal government to address the pandemic, including 12 initial executive actions and establishment of a COVID-19 Response Office responsible for coordinating the pandemic response across all federal departments and agencies.⁸

Water Utilities in the U.S.

The American Water Works Association (AWWA) estimates a US\$13.9 billion or 16.9% annual loss in the U.S. water utility sector due to the COVID-19 crisis. This negative impact is derived from water utilities suspending service shut-off for non-payment, an anticipated increase in delinquencies as a result of high unemployment rates, reductions in non-residential water demand and associated revenue offset by an increase in residential consumption and lower customer growth.⁹

Because of the foregoing financial impacts, AWWA anticipates that water utilities across the U.S. may delay and/or reduce annual capital investments by as much as US\$5 billion to help manage cash flows during the crisis. This reduction in capital expenditures would result in the loss of 75,000 to 90,000 private-sector jobs nationwide.

⁸ Source: National Strategy for the COVID-19 Response and Pandemic Preparedness, https://www.nhpco.org/wp-content/uploads/White_House_National_Strategy_for_the_COVID-19_Response.pdf.

⁹Source: AWWA, *The Financial Impact of the COVID-19 Crisis on U.S. Drinking Water Utilities*. April 2020 (https://www.awwa.org/Portals/0/AWWA/Communications/AWWA-AMWA-COVID-Report_2020-04.pdf).

**PROJECT PROPOSAL
PROREC REFINANCING UMBRELLA
AGUA SUD IN TEXAS**

The pandemic has also reduced the availability of critical supplies for system operation, such as chemicals for water treatment, fuel for water pumps and spare parts. With the decline in income, water utilities are also struggling to cover labor costs and provide adequate personal protective equipment (PPE) for their staff. In some cases, they may also be increasing costs as they expand water services in vulnerable communities by providing access at additional water points, tanker services and other enhanced delivery mechanisms.

Finally, deferring critical capital investments in order to cover daily operating expenses and continue to provide these essential services during this crisis is affecting system operation and maintenance in areas such as system expansion to unserved areas, rehabilitation of obsolete and deteriorated infrastructure and upgrades to improve services and efficiency.¹⁰

Hidalgo County

As of May 18, 2021, Hidalgo County has reported 90,589 COVID-19 infections, about 10.3% of county's population, with a total death toll of 2,862 individuals (3.2% fatality index).¹¹ These figures are slightly higher than the national percentage of the population infected (9.8%) and almost double the national fatality index of 1.8%.¹²

At the end of 2019, the unemployment rate in the county was approximately 7.0%. Following the COVID-19 outbreak, unemployment increased sharply to 17.5% in April 2020; however, recent estimates suggest that the unemployment rate had dropped to 11.2% as of March 2021.¹³ Nevertheless, unemployment continues well above recent historical levels.

To assist businesses with expenditures related to the cost of business interruption caused by the required closure related to the COVID-19 pandemic, Hidalgo County launched the Hidalgo County CARES Small Business Grant Program, which includes funds provided by Congress through the CARES Act to support COVID-19 relief.¹⁴

Agua SUD

While the full impact of the pandemic on the Utility cannot be quantified at this time, the ongoing crisis is having an adverse effect on its operations and financial condition. Some of these impacts are described below:

- Higher than usual costs related to the health and safety of its employees, including testing employees for COVID-19 and the purchase of protective gear, such as masks, gloves, and disinfectants on a routine basis.
- In July 2020, approximately 22% of the Utility 's employees were in quarantine due to the pandemic, with no reduction in the payroll expense.

¹⁰ Source: Ibid.

¹¹ Source: Hidalgo County coronavirus updates, <https://www.hidalgocounty.us/2630/Coronavirus-Updates>.

¹² Source: <https://usafacts.org/visualizations/coronavirus-covid-19-spread-map>.

¹³ Source: Economic Research, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/TXHIDA5URN>.

¹⁴ Source: Hidalgo County web page (<https://www.hidalgocares.org/ResourcesforBusinesses>)

- Postponed its Board of Directors May 2020 elections, joining other cities throughout the Rio Grande Valley that chose to delay their elections until November 2020 in an effort to mitigate the spread of COVID-19.
- Waived the 5% surcharge for making payments with a credit card, to comply with Hidalgo County Order 20-011 related to the COVID-19 Public Health Emergency.

One of the cost-saving measures proposed by the Utility's Board is to reduce its debt service obligations by refinancing its existing debt. In November 2020, NADB approved a project to refinance up to US\$13 million in existing debt through the ProRec Refinancing Umbrella Program, and the loan closed in December 2020. The debt service savings, along with support from the federal Coronavirus Aid, Relief and Economic Security (CARES) Act and the BEIF grant to complete construction of the current wastewater system expansion project, will help mitigate potential liquidity problems for the Utility and allow it to continue providing essential water services to its customers, while also moving forward with its capital improvement plan to prevent future restrictions in coverage and deterioration of existing infrastructure.

3.1.2. Project Scope

The Project consists of refinancing up to US\$2.0 million in existing debt for Agua SUD. The debt to be refinanced has a final maturity of roughly 21 years and an average interest rate of 5.30%. By refinancing the existing debt at a lower interest rate and maintaining the final maturity at 21 years, the Utility will reduce its annual debt service obligations, thus achieving more efficient debt service cash flows. Annual debt service obligations are expected to decrease by an average of US\$17,000—which represents 3.2% of system repair and replacement expenses or 1.6% of the Utility's cost of water production and treatment in 2020. The net present value of those savings over the full 21-year tenor of the loan is US\$257,189.

3.1.3. Technical Feasibility

Given the refinancing nature of the Project, a technical feasibility analysis is not applicable.

3.1.4. Land Acquisition and Right-of-way Requirements

Given the refinancing nature of the Project, land acquisition and rights of way are not applicable.

3.1.5. Project Milestones

The refinancing is expected to close in July 2021.

3.1.6. Management and Operation

Agua SUD currently provides drinking water services to approximately 16,508 water hookups and 1,482 wastewater connections in its service area and is in full compliance with applicable water

quality standards. It is committed to extending wastewater services to its entire service area. Development of wastewater system infrastructure was divided into two separate efforts: In 2012, new wastewater collection and treatment infrastructure for the west area was constructed and is currently in operation serving the residents of the Sullivan City and the surrounding area. The east area was subdivided into five phases due to funding constraints.

Since January 2014, NADB has been working with Agua SUD and the Texas Water Development Board (TWDB) to carry out the first phase of the eastern wastewater expansion plan, which consists of a US\$48.2-million project to extend wastewater collection and treatment services to the City of Palmview and surrounding unincorporated areas. In May 2020, NADB provided a US\$6 million BEIF grant, which is being used to install nearly 1,850 residential wastewater connections and decommission the same number of on-site septic tank systems and cesspools. This BEIF-funded project is currently under construction and is expected to be completed in December 2021. The Utility has entered an interlocal agreement with the City of Mission to purchase 2.5 million gallons a day of capacity to treat the new wastewater flows collected in Palmview.

3.2. Environmental Criteria

3.2.1. Environmental and Health Effects/Impacts

A. Existing Conditions

Agua SUD provides water and wastewater services to more than 29,600 residents of Hidalgo and Starr counties, but shortcomings still exist. Approximately 90% of homes in the service area are not connected to the wastewater collection system and currently use onsite septic tanks, which poses a significant risk for exposure to waterborne diseases associated with untreated wastewater.

Agua SUD is committed to extending wastewater services to its entire service area and has undertaken a project that will more than double its current wastewater coverage, from 9% to 20%. Although the proposed refinancing does not directly address this issue, it will provide financial relief to the Utility, which will support the continued provision of services and future system expansion and improvements.

B. Project Impacts

Since the Project consists of refinancing US\$2 million in existing debt at a lower interest rate, the new loan is expected to save the Utility an average of US\$17,000 annually, which represents 3.2% of the system repair and replacement expenses or 1.6% of the cost of water production and treatment budgeted for 2020. As previously mentioned, Agua SUD refinanced US\$13 million in existing debt in December 2020. The savings from both loans averages US\$157,000 annually, which represents 29.8% of system repair and replacement expenses or 14.6% of the cost of water production and treatment in 2020.

The Utility's customers will also benefit, as these savings will increase the financial capacity of the Utility and lessen the need for possible rate increases to continue providing adequate water and wastewater services. This benefit has become increasingly relevant in communities that have been severely impacted by the economic downturn caused by the COVID-19 pandemic.

By refinancing its debt, Agua SUD will also be in a better position to pursue ongoing investment in necessary capital improvement projects.

C. Transboundary Impacts

Given the refinancing nature of the Project, no transboundary impacts are anticipated as a result of the Project.

3.2.2. Compliance with Applicable Environmental Laws and Regulations

Given the refinancing nature of the Project, compliance with environmental laws and regulations is not applicable.

A. Environmental Clearance

Given the refinancing nature of the Project, no environmental clearances are required.

B. Mitigation Measures

Given the refinancing nature of the Project, no environmental mitigation measures are necessary.

C. Pending Environmental Tasks and Authorizations

There are no environmental authorizations pending for the Project.

3.3. Financial Criteria

In November 2020, NADB approved a loan for Agua SUD to refinance up to US\$13 million in its existing debt through the Refinancing Umbrella of ProRec.¹⁵ Agua SUD is now requesting a second loan from NADB to refinance up to US\$2.0 million in existing debt, which was not included in the original proposal because it was not callable at that time. Table 3 shows a breakdown of the uses and sources of funding of the Proposed Project.

¹⁵ The recently approved ProRec program includes loan proposals to refinance the existing debt of public entities whose mandate is aligned with the Bank's mission. Under the program, the refinancing is intended to 1) support public sponsors facing liquidity constraints or adverse refinancing conditions as a result of the COVID-19 pandemic; or 2) provide more efficient debt service cash flows for the operation and maintenance of existing infrastructure.

Table 3
USES AND SOURCES OF FUNDS
(US\$ million)

Uses	Amount	%
Refinancing of existing debt	\$ 2.0	100.0
TOTAL	\$ 2.0	100.0
Sources	Amount	%
NADB loan	\$ 2.0	100.0
TOTAL	\$ 2.0	100.0

Based on a thorough analysis of both the Project and the Sponsor, NADB has determined that the Project meets all eligibility criteria of the ProRec Refinancing Umbrella Program, since Agua SUD is a public entity that provides services aligned with the NADB mission and that are eligible for NADB financing under its certification criteria. It is also located within the border region as required under the NADB Charter and will help Agua SUD free up cash flows through a more efficient debt payment structure that will serve to mitigate increased operating expenditures and/or reductions in revenue caused by the COVID-19 pandemic, allowing the utility to continue providing public services to its customers.

The loan will be made in the form of a revenue refunding bond, series 2021, debt instrument. The loan payment mechanism is consistent with the well-established municipal bond market in the United States. NADB has verified that the Project Sponsor has the legal authority to contract the financing and pledge its revenue for the payment of financial obligations.

Considering the Project's characteristics and based on the financial and risk analysis performed, the proposed Project is considered to be financially feasible and presents an acceptable level of risk.

4. PUBLIC ACCESS TO INFORMATION

4.1 Public Consultation

NADB published the draft project proposal for a 30-day public comment period that began on May 21, 2021 and will end on June 20, 2021.

4.2 Outreach Activities

NADB also conducted a media search to identify potential public opinion about the Project. No specific articles or references to the Project was found. No public opposition to the Project has been detected.