



CERTIFICATION AND FINANCING PROPOSAL

LAGUNA MADRE WATER DISTRICT – LONG ISLAND VILLAGE WATER AND WASTEWATER PROJECT IN CAMERON COUNTY, TEXAS [PID 1331]

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EXECUTIVE SUMMARY

LAGUNA MADRE WATER DISTRICT – LONG ISLAND VILLAGE WATER AND WASTEWATER PROJECT IN CAMERON COUNTY, TEXAS

Project Summary

Project Name:	Laguna Madre Water District – Long Island Village Water and Wastewater Project in Cameron County, Texas (the “Project”). ¹
Project Type (Sector):	Water and wastewater.
Objective:	The purpose of the Project is (i) to improve access to sustainable drinking water service by replacing failing distribution infrastructure prone to leaks and line breaks, thus preventing excessive water losses, service interruptions and potential cross-contamination of drinking water; and (ii) to replace deteriorated wastewater infrastructure prone to leaks and failure, thereby eliminating exposure to untreated or inadequately treated wastewater discharges and preventing water pollution. Both components will help reduce human health risks associated with waterborne diseases.
Expected Outcomes:	The Project is expected to generate environmental and human health benefits related to the following Project outcomes: <ul style="list-style-type: none">• Improve the reliability and sustainability of drinking water services for 1,024 existing residential connections.• Improve wastewater collection services for 1,024 existing residential connections.• Provide Long Island Village with water and wastewater systems that fully comply with applicable regulations.
Population to Benefit:	Approximately 2,939 residents.
Sponsor:	Laguna Madre Water District (the “District”).
Borrower:	The District.
Estimated Project Cost:	US\$20,800,000.
NADBank Loan Amount:	US\$20,800,000.

¹ Long Island Village (LIV), a condominium association operating pursuant to Chapter 82 of the Texas Property Code, is located on a small island at the southern end of the Laguna Madre Bay in Cameron County, Texas, immediately adjacent to the City of Port Isabel.

CERTIFICATION AND FINANCING PROPOSAL

LAGUNA MADRE WATER DISTRICT – LONG ISLAND VILLAGE WATER AND WASTEWATER PROJECT IN CAMERON COUNTY, TEXAS

1. PROJECT OVERVIEW AND EXPECTED OUTCOMES

The proposed project will replace nearly 23,551 linear feet of deteriorated water distribution lines and 20,962 linear feet of deteriorated wastewater collection lines in the unincorporated community of Long Island Village located in Cameron County, Texas (the “Project”). The public-sector Sponsor is the local water utility, Laguna Madre Water District (LMWD or the “District”), which will build, operate and maintain the Project in full compliance with applicable regulations. The purpose of the Project is to ensure reliable drinking water and wastewater collection services for 1,024 existing residential connections. Water system improvements will reduce the risk of leaks and line breaks, thus preventing excessive water losses, service disruptions and potential cross-contamination problems that increase the risk of waterborne diseases. Likewise, rehabilitation of the wastewater collection infrastructure will prevent leaks and system failures that could create health risks and impact local water sources due to seepage of untreated discharges.

An estimated 2,939 residents in Long Island Village are expected to benefit from this Project.² Since the Project will benefit residents of a small, unincorporated community by providing reliable water services, its objective is aligned with the Texas Environmental Justice Collaborative Plan of the U.S. Environmental Protection Agency (EPA), particularly Focus No. 1 (healthy air, water and land) and No. 4 (urban, rural and unincorporated communities).³

2. ELIGIBILITY

2.1. Project Type

The Project falls within the eligible categories of water and wastewater.

² The estimated population benefitted is calculated based on 1,024 improved connections in the Project area and 2.87 persons per household as reported by the U.S. Census Bureau for the adjacent City of Port Isabel, as census data is not available for the specific area served by the Project. Source: Port Isabel U.S. Census Quick QuickFacts July 2021, accessed on December 2, 2022.
<https://www.census.gov/quickfacts/fact/table/portisabelcitytexas.US/PST045221>.

³ Source: EPA, https://www.epa.gov/sites/production/files/2016-12/documents/texas_ej_plan_8-3-16_final.pdf.

2.2. Project Location

The Laguna Madre Water District covers more than 1,000 acres northeast of the city of Brownsville in Cameron County, Texas.⁴ The Project will be implemented in Long Island Village (LIV), an unincorporated area within the LMWD service area. LIV is located at the southern end of Laguna Madre Bay, immediately adjacent to the city of Port Isabel, and approximately seven miles north of the U.S.-Mexico border at the following geographic coordinates: 26°04'11.5"N and 97°13'08.05"W. Figure 1 shows the location of the LMWD service area in blue, red, pink and yellow.

Figure 1
PROJECT LOCATION MAP AND LMWD GEOGRAPHIC JURISDICTION



2.3. Project Sponsor and Legal Authority

The public-sector Project sponsor is LMWD. The District was originally created in 1950 as Cameron County Fresh Water Supply District #1 and was converted in November 1973 to a Municipal Utility District (MUD). On February 16, 1996, the MUD was renamed Laguna Madre Water District.

The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and its principal function is to provide treated water and wastewater services to about 6,500

⁴ Source: Final Official Statement, Laguna Madre Water District, Unlimited Tax Bonds, Series 2022 and Unlimited Tax Refunding Bonds, Series 2022 (March 23, 2022).

customers. Its service area includes the communities of South Padre Island, Port Isabel, Long Island Village, Laguna Heights and Laguna Vista, with the majority of taxable value located on South Padre Island as pictured in Figure 1.⁵ The District is governed by a five-member Board of Directors elected by the voters in the Laguna Madre Water District service area.⁶

In February 2022 the Board of Directors of the District approved the designation of Long Island Village as a “Defined Area.” Pursuant to Sections 54.801 and 54.085 of Texas Water Code, the District may define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area or property rather than the District as a whole, just as the Project will serve to benefit LIV community members.⁷

3. CERTIFICATION CRITERIA

3.1. Technical Criteria

3.1.1. General Community Profile

According to U.S. census data, the estimated population of Cameron County was 423,029 in 2021.⁸ Most of the population served by LMWD live in the cities of South Padre Island and Port Isabel, as well as unincorporated communities not specifically identified in available census data; nevertheless, it is estimated that approximately 21,483 people live within the boundaries of the LMWD service area, representing approximately 5% of the county population.⁹ The average size of households in the service area is between 1.9 and 2.8 persons; however, the population fluctuates throughout the year due to seasonal residents and vacationers.

According to U.S. census data reported for 2021, approximately 24.6% of the population of Cameron County, compared to about 14.2% of the state population, was living below the poverty level. At that time, the median household income (MHI) was US\$43,057 for the county compared to US\$67,321 for the state.¹⁰

The Project will be implemented in the community of Long Island Village within the LMWD service area. The socioeconomic indicators of the communities within the service area are low when compared to the county and the state averages. For example, the city of Port Isabel, located directly adjacent to the community of Long Island Village with a population of 5,094

⁵ Source: LMWD Material Event Notice, Notice to Bondholders of a Change in Ratings, March 25, 2022. (S&P Global Ratings Rating Report, March 16, 2022.)

⁶ Source: Laguna Madre Water District Audited Financial Statements, 2021.

⁷ Source: Laguna Madre Water District Designation Order, passed and approved on February 16, 2022, and certified on February 23, 2022.

⁸ Source: U.S. Census, QuickFacts website, <https://www.census.gov/quickfacts/fact/table/TX.cameroncountytexas/PST045221>, accessed on January 9, 2023.

⁹ Source: LMWD estimate based on its reports to Texas Water Development Board (TWDB).

¹⁰ Source: U.S. Census, QuickFacts website, <https://www.census.gov/quickfacts/fact/table/TX.cameroncountytexas/PST045221>, accessed on January 9, 2023.

residents, has an MHI of US\$36,649, indicating economically distressed conditions for both areas.

The status of water and wastewater systems within the LMWD service area is described in the following table.¹¹

**Table 1
 LMWD WATER AND WASTEWATER SERVICES**

Water System		
Coverage	100%	
Water supply source	100% surface water from Rio Grande and treated at the Laguna Madre Treatment Plant No. 1 or No. 2	
Number of residential hookups	14,938	
Wastewater Collection		
Coverage	100%	
Number of residential connections	14,938	
Wastewater Treatment		
Coverage	100% of collected wastewater	
Treatment facilities	Plant	Capacity
	Port Isabel	1.1 mgd
	Laguna Vista	0.65 mgd
	Isla Blanca	2.6 mgd
	Andy Bowie	1.5 mgd

Source: LMWD

Local Water and Wastewater Systems

LMWD Water System

The LMWD water distribution system consists of five water tanks and approximately 739,677 linear feet of pipeline that supply water to 14,938 connections. The District has no groundwater wells and relies entirely on surface water supply through diversions from the Rio Grande. LMWD diverts water from its river pump station and conveys raw water to Laguna Vista and Port Isabel through its own system of raw water pipelines, reservoirs and pump stations. The pumping capacity of the raw water system is 12.5 mgd from the Rio Grande to Laguna Vista (Reservoir No. 3) and then on to Port Isabel (Reservoir No. 1).

Water is treated through conventional filtration and/or microfiltration processes at one of two available plants prior to distribution to residents. The plants have sufficient capacity to supply water for the proposed LIV improvements. In anticipation of future needs not related

¹¹ Although bulk water and wastewater treatment services are provided by LMWD to LIV, the number of service connections presented in Table 1 does not include the 1,024 homes in LIV.

to this Project, Laguna Madre Water Treatment Plant No. 1 will be expanded from 2.9 mgd to 5 mgd with construction scheduled to begin in the spring of 2023.

LMWD owns municipal water rights and has the authority to acquire additional water rights periodically, as shown in its current Certificate of Adjudication No. 23-850J granted on May 9, 2019. The District owns 7,513.392 acre-feet (AF) of municipal water rights, some of which are subject to proration by the Texas Commission on Environmental Quality (TCEQ) Watermaster.¹² When the reservoir level is below 50% U.S. capacity, every 1% change (+/-) in the Amistad/Falcon system capacity increases/decreases District water rights. To assure adequate water supply, LMWD has purchased additional water rights from neighboring irrigation districts to meet near term demand under drought conditions.

LIV Water System

According to the Drinking Water Engineering Feasibility Report prepared in February 2022, the District currently provides water to LIV through four master meters that measure water usage, which includes one for irrigation of a golf course. The existing water distribution system within the community is managed privately by the Long Island Village Owners' Association and consists of 8", 6", 4" and 2" waterlines, the latter of which are primarily located under the existing homes and RV lots. The system is over 40 years old and deteriorating. While no regulatory violations have been issued for the LIV system, the existing operational structure for reselling bulk water delivery,¹³ as well as certain design issues, such as low water pressure, proximity with wastewater infrastructure and lack of backflow prevention within the system do not comply with current TCEQ regulations. Moreover, the system is prone to frequent leaks, line breaks and outages, and waterlines located under homes need to be relocated so that they are more accessible for operational monitoring and maintenance, including for more immediate identification of line breaks resulting in water loss.

Currently, there are no individual water meters within the LIV system. The District charges standard rates for each meter directly to the Long Island Village Owners' Association, which pays the water bill using the assessments it collects from the property owners on the island. Upon completion of the Project, each individual property will have its own meter, and thus each owner will be charged directly for services provided by the District.

LMWD Wastewater System

With respect to its wastewater collection system, the District operates 33 lift stations and approximately 562,852 linear feet of sewer lines serving 14,938 connections in its service area. Additionally, the District operates and maintains four wastewater treatment plants, as noted in Table 1, above. All the treatment facilities are operating in accordance with their respective discharge permit and have additional capacity available for new connections or increased flows. Similar to the water system service, the District already receives wastewater

¹² Watermaster programs ensure compliance with water rights within their designated basins. Watermasters monitor stream flows, reservoir levels and water use, as well as identify and stop illegal diversions. They also have the power to allocate flows during shortages. There are currently three existing Watermasters already in place in Texas, who manage nine of the 23 river basin systems in the state.

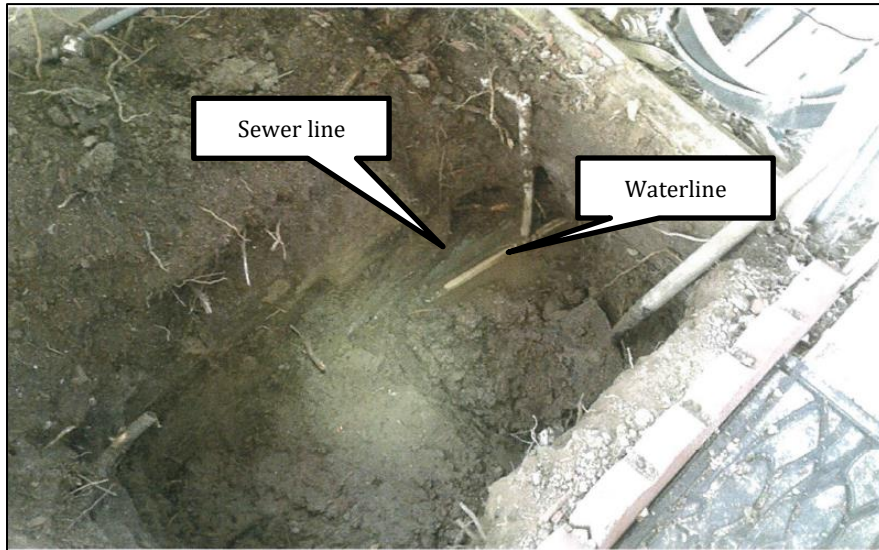
¹³ TCEQ regulations, chapter 290, do not permit the reselling of water without the TCEQ testing requirements.

collected from within LIV and conveys those flows to the Port Isabel Wastewater Treatment Plant (WWTP).

LIV Wastewater System

According to the Wastewater Engineering Feasibility Report prepared in February 2022, the wastewater collection system in the community of Long Island Village consists of 4,700 LF of 6" and 8" wastewater lines and four lift stations, which are privately managed by the Long Island Village Owners' Association. The wastewater collection system is over 40 years old and has deteriorated, resulting in leaks and seepage of untreated wastewater discharges. Many of the wastewater lines were installed too close to waterlines, creating a greater risk for cross-contamination in the water distribution system, in violation of TCEQ regulations. Figure 2 shows an example of the close proximity of water and wastewater infrastructure. Improvements are also needed to address sewer lines designed for mobile homes but inadequate for the more permanent dwellings that have begun to replace the previous units. All four lift stations will also need to be replaced, rehabilitated or decommissioned due to saltwater infiltration.

Figure 2
INADEQUATE DISTANCE SEPARATING WATER AND SEWER LINES



The wastewater generated and collected in the Project area will continue to be conveyed to the Port Isabel WWTP for treatment through an activated sludge process. The facility currently operates at just over 60% capacity, which ensures sufficient capacity to treat current wastewater flows and any additional flows that may result from the planned improvements. According to LMWD, the Port Isabel WWTP is in compliance with the quality standards of its discharge permit (TPDES Permit No. WQ0010350001).

3.1.2. Project Scope

LMWD evaluated and considered various alternatives to address the infrastructure needs in the Project area. The Project and its components are based on the planning recommendations in the feasibility studies completed for the water and wastewater systems in February 2022.

The Project components include:

- Drinking water distribution system:
 - Replacement of 23,149 linear feet of 8-inch PVC waterline,
 - Replacement of 402 linear feet of 6-inch PVC waterline,
 - Installation of valves and fire hydrants,
 - Replacement of 1,024 service connections, and
 - Installation of 1,024 water meters.

- Wastewater collection system:
 - Replacement of 20,302 linear feet of 8-inch gravity lines,
 - Replacement of 660 linear feet of 10-inch gravity lines,
 - Replacement, rehabilitation or decommissioning of 4 lift stations, and
 - Replacement of 1,024 service connections.

The Project includes design, construction and related contingencies, construction management, dewatering and repaving. Figure 3 provides a schematic layout of the drinking water distribution system and wastewater collection system installation.

Figure 3
PROPOSED WATER AND WASTEWATER INFRASTRUCTURE LAYOUT



3.1.3. Technical Feasibility

Design Criteria

The design standards related to the water systems must meet or exceed the Rules and Regulations for Public Water Systems established by TCEQ under Chapter 290, subchapter D. Design criteria for the water improvements include minimum pipe cover, flow velocities, allowable pipe diameters, looping requirements, allowable water pressures and standards for valves, hydrant spacing and connections. Since the water improvements related to this Project will be connected to the LMWD distribution system, impacts beyond the Project limits will need to be considered in the hydraulic modeling of the Project.

The design of the wastewater collection system will conform to TCEQ standards as set forth in Chapter 217: Design Criteria for Domestic Wastewater Systems, August 28, 2008, and Chapter 317: Design Criteria for Sewerage Systems, January 6, 2005. The TCEQ sets standards for design, submittals, operations, maintenance, construction and safety. The applicable design standards include sewer sizing, pipe slopes, minimum pipe cover, manhole sizing and spacing, pipe materials, pipe bedding, etc. The TCEQ standards were developed to ensure that the sewage will flow through the system at adequate velocity, as well as to minimize operation and maintenance requirements.

The improvements for both systems are being overseen directly by LMWD technical staff with the support of an engineering consultant.

Selected Technology

All feasible alternatives for LIV system improvements include maintaining the connection to the existing LMWD water distribution and collection systems. The no-action alternative was rejected, since it failed to address the deteriorated infrastructure, risks for ongoing surface and groundwater contamination, as well as health risks associated with cross-contamination, violation of TCEQ regulations for infrastructure separation, and inadequate wastewater lines for current, more permanent dwelling units.

For both the water and wastewater components, existing infrastructure was surveyed, and the results were incorporated into a model with the input for supply and demand scenarios, in order to simulate current and future operational conditions. In particular, the water system model was calibrated to optimize pressure in the distribution system, taking into consideration its efficient operation. A series of capital investments were recommended to ensure piping and related infrastructure are sized and prioritized to maintain normal operating pressure and fire-flow availability as the population in the service area grows. The wastewater system model was designed to minimize pumping and optimize the use of gravity lines, considering as well non-sanitary inflows (infiltration, rain) and sizing of the proposed infrastructure to comply with applicable regulations. The results from this modeling served as the basis to propose capital investments to provide optimal wastewater service under current and future conditions.

The material selected for both water distribution and wastewater collection system infrastructure and residential yard-line connections is PVC, which has proven to be reliable.

Valves, fire hydrants, pumps, clean-outs and vents will also be provided in accordance with standard practice and building code requirements.

With the implementation of the Project, the existing wastewater collection system will be abandoned in place and replaced with a conventional gravity collection system, which was selected based on proven reliability, as well as familiarity and ease of operation. Final pipe diameters will be selected using appropriate slopes and velocities to prevent pipe silting and clogging, septic conditions, over-excavation or the need for pumping facilities that could increase project costs.

LMWD's engineering consultant was hired to develop the engineering feasibility reports, which include probable cost estimates for design and construction, as well as incidental expenses associated with the proposed improvements and costs to issue bonds. This firm will also help the District review and update planning documents, finalize the designs and perform construction management.

3.1.4. Land Acquisition and Right-of-Way Requirements

LMWD will need to acquire some easements to implement the Project. While the District has had access to rights of way owned by Long Island Village based on previous agreements granted for utility maintenance, those rights-of-way will need to be formally dedicated to the District. Additionally, rights of way for any proposed lift station sites would need to be acquired. Right-of-entry forms will also need to be formalized with each homeowner to provide temporary easements to the contractor for the installation of yard-line connections inside the property line. Final easements and rights of way will be determined during final design and acquired prior to construction.

3.1.5. Project Milestones

A key component for advancing the project to implementation is securing the financing. A bond election was held in May 2022, in which qualified, resident voters from Long Island Village voted in favor of the District issuing general obligation bonds to finance the Project. Additional information regarding the municipal financing approval process is available in Section 3.3. below.

In the fourth quarter of 2022, the District selected an engineering firm to provide planning, design and construction management services for the Project. Final design will start once funding is secured. Procurement and construction management will be consistent with NADBank policies. Table 2 shows the proposed schedule for Project implementation milestones.

Table 2
PROJECT MILESTONES

Key Milestones	Proposed Schedule
Final design	To begin in the second quarter of 2023
Procurement	To begin in the first quarter of 2024
Construction period	Estimated period of 24 months
Project completion	Up to three years from bond issuance

3.1.6. Management and Operation

The construction, operation and management of the proposed Project will be the responsibility of LMWD. While the Long Island Village Owners' Association owns and manages the existing water and wastewater infrastructure serving the community, LMWD will assume full responsibility for the new infrastructure as a part of its overall water and wastewater system at substantial completion of construction, which is expected to occur in phases given the nature of the Project.

The District has established procedures for the operation and maintenance of both systems. LMWD was established in 1950 and has worked to expand its water and wastewater systems to provide service throughout its jurisdiction. Its operations are managed through a sustainable approach, whereby the intent of the governing body is to finance or recover the costs (including depreciation) of providing services to the general public on an ongoing basis, primarily through user fees. All activities necessary to provide such services are accounted for: administration, operation, maintenance, financing and related debt service, and billing and collection.

The Board of Directors of the District is elected by the public every two years and approves the budget on an annual basis.¹⁴ For the period October 1, 2022, to September 30, 2023, the Board approved an operational budget of US\$13.2 million, of which 6.3% is allocated to repairs and maintenance.

LMWD has 87 full-time employees. To ensure the proper operation of its systems for its customers, the District maintains a highly trained operations and engineering staff, including 21 certified wastewater operators (10 Class "A", six Class "B", five Class "C") and 19 certified water operators.

¹⁴ The LMWD Board of Directors serve for a period of four years. The District holds an election in even number years, and elections are staggered between either two or three members every two years.

3.2. Environmental Criteria

3.2.1. Environmental and Health Effects/Impacts

A. Existing Conditions

The water distribution and wastewater collection systems in the Long Island Village have exceeded their useful life, and the deteriorated condition of the infrastructure results in continuous water and wastewater leaks and seepage, creating a risk to the environment and health of the community. Additionally, these systems were designed for mobile homes, but the community has been evolving into primarily permanent homes in recent years. Consequently, the pipeline sizes and connections are now substandard.

Surface pooling, overflows and cross-contamination of untreated wastewater create a transmission pathway for pathogenic microorganisms associated with fecal matter that causes waterborne diseases in humans. An individual can become ill after drinking water that has been contaminated with these organisms; eating uncooked foods that have been in contact with contaminated water; or through poor hygiene habits that contribute to the dissemination of diseases by direct or indirect human contact with contaminated water or untreated wastewater. Replacing the water infrastructure is critical to reduce such risks for the local residents.

B. Project Impacts

The Project will eliminate the risk of untreated wastewater discharges and help prevent ground and surface water contamination by replacing sewer lines that have exceeded their useful lives. Wastewater will be collected and conveyed for treatment to the Port Isabel Wastewater Treatment Plant, a facility that complies with all regulatory requirements. Water system improvements will also help protect the health of residents by maintaining better system pressure and thus preventing the risk of backflows and cross-contamination in the distribution lines.

Specifically, the Project is expected to generate environmental and human health benefits related to the following Project outcomes:

- Improve the reliability and sustainability of drinking water services for approximately 1,024 existing residential connections.
- Improve wastewater collection services for approximately 1,024 existing residential connections.
- Provide Long Island Village with water and wastewater systems that fully comply with applicable regulations.

In addition, the Project will improve the ability to provide adequate fire flow and to monitor and maintain water infrastructure, as well as support efforts for water conservation and the sustainability of water resources.

C. Transboundary Impacts

No negative transboundary impacts are anticipated from the Project.

Due to the proximity of the community of Long Island Village to the cities of Brownsville, Texas, and Matamoros, Tamaulipas, and the frequent border crossings between those cities, the proposed Project will have a positive impact on the health of residents in those communities, and the entire region, since it will help reduce the risk of waterborne diseases caused by exposure to surface pooling of untreated or inadequately treated discharges or potential contamination of the local drinking water. Additionally, the implementation of the proposed Project will reduce the potential for contamination of local and shared water bodies, such as the Rio Grande River.

3.2.2. Compliance with Applicable Environmental Laws and Regulations

The Project will comply with the Safe Drinking Water Act (SDWA), which regulates public water systems in the United States. In accordance with the SDWA, EPA establishes standards for allowable limits of contaminants in drinking water, as well as for pressure and fire flow standards. TCEQ is responsible for monitoring drinking water systems in Texas and issuing enforcement actions in those cases where systems are not in compliance.

Additionally, EPA sets minimum standards for the discharge of all treated wastewater through the National Pollutant Discharge Elimination System (NPDES) or as adapted by the State of Texas Pollutant Discharge Elimination System (TPDES). TCEQ also monitors and inspects all point discharges to verify compliance with requirements set by utility discharge permit requirements.¹⁵

A. Environmental Clearance

Due to the nature of the proposed water and wastewater components of the Project, and since no federal or state funding is involved, the Project is not subject to the National Environmental Policy Act (NEPA) or any other formal environmental clearance process.

All work will be conducted within previously disturbed areas and utility rights of way. No significant environmental impacts associated with the construction, operation and maintenance of the Project are anticipated.

B. Mitigation Measures

Although Project implementation will have no significant adverse impact on the environment, mitigation measures have been established to address temporary and minor adverse impacts during the construction and operation of the Project. The mitigation measures to be implemented include typical best management practices for construction works, such as applying water to reduce dust and soil erosion; routine vehicle tune-ups to reduce emissions and noise; and placement of warning signs. By following these best management practices, the temporary impacts due to construction will be minimized.

¹⁵ Source: TCEQ, <https://www.tceq.texas.gov/permitting/wastewater>.

Moreover, the long-term results from implementation of the proposed Project will be positive overall.

C. Pending Environmental Tasks and Authorizations

There are no environmental authorizations pending.

3.3. Financial Criteria

Laguna Madre Water District, acting as both Sponsor and Borrower, has requested a loan for US\$20.8 million from NADBank (the “Loan” or the “Bonds”) for implementation of the Project.

Long Island Village Owners’ Association, a condominium association operating pursuant to Chapter 82 of the Texas Property Code, was originally developed as an RV park with open concrete pads but is gradually transitioning into a housing subdivision. Its unique history of growth and development has created a particular need for improved water and wastewater services, and it was determined that the localized nature of these services made it necessary and equitable to levy a tax on the LIV Defined Area – rather than the District as a whole – to pay for the required infrastructure. As explained in Section 2.3. “Project Sponsor and Legal Authority,” the LIV Defined Area refers to the designated area within the broader Laguna Madre Water District that will benefit from the Project.¹⁶

The total cost of the Project, including the legal, technical and financial expenses associated with the Loan, is estimated at US\$20.8 million. Table 3 presents a breakdown of the estimated Project costs and proposed sources of funding.

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

Uses	Amount	%
Construction*	\$ 19,725,000	94.8%
- Water system improvements	7,765,000	37.3
- Sewer system improvements	11,960,000	57.5
Financing costs	1,075,000	5.2
TOTAL	\$ 20,800,000	100.0%
Sources	Amount	%
NADBank Loan	\$ 20,800,000	100.0%
TOTAL	\$ 20,800,000	100.0%

* Includes design, construction and construction management for both the water and wastewater components.

¹⁶ Source: Laguna Madre Water District Designation Order, passed and approved on February 16, 2022, and certified on February 23, 2022.

On May 7, 2022, the District held a bond election for authorization to issue and sell bonds for the Project in a principal amount not to exceed US\$20.8 million. Qualified permanent residents of the LIV Defined Area were permitted to cast their votes, and on May 17, 2022, the District approved a resolution declaring the results of the bond election, with the majority of votes cast in favor of the bond issuance.¹⁷

The Loan will be in the form of unlimited tax bonds, and the proceeds from the Bonds are to be designated solely for the purpose of expanding and improving the waterworks system and sewer system within the LIV Defined Area. The District will levy and pledge, and cause to be assessed and collected, a direct annual ad valorem tax on all taxable property in the LIV Defined Area sufficient, without limit as to rate or amount, to make the principal and interest payments on the Bonds.

Based on the strong and proven institutional framework that allows the District to set property tax rates according to the debt service requirements for the following year, NADBank considers the pledged cash flows for debt service to be sufficient to cover the financial obligations associated with the Loan.

4. PUBLIC ACCESS TO INFORMATION

4.1. Public Consultation

NADBank published the draft certification and financing proposal for a 30-day public comment period beginning February 3, 2022. The following Project documentation is available upon request:

- Drinking Water Engineering Feasibility Report for Water Distribution System Improvements in Long Island Village, February 2022.
- Wastewater Engineering Feasibility Report for Wastewater Collection System Improvements in Long Island Village, February 2022.
- Laguna Madre Water District Board Resolution Canvassing the Returns and Declaring the Results of a Bond Election. Passed, adopted and approved on May 17, 2022.

4.2. Outreach Activities

Public outreach activities were conducted in coordination with the Project Sponsor and the Long Island Village Owners' Association to discuss the proposed water and wastewater infrastructure improvements, financing requirements and the process for approving the bond issuance. Governing bodies and staff from both met on February 9, 2022 and issued a press release to the local newspaper *Port Isabel/South Padre Island Press* on February 23, 2022. The press release provided information to area residents regarding the proposed water

¹⁷ Source: LMWD, Resolution Canvassing the Returns and Declaring the Results of a Bond Election, passed, adopted and approved on May 17, 2022.

and wastewater system improvements and the associated bond election to be held on May 7, 2022, as part of the general election ballot.

Additionally, LIV Town Hall meetings were held March 31 and April 28, 2022. Finally, the results of the bond election were presented at the LMWD Board meeting on May 17, 2022, where the Board approved the resolution declaring the results of the bond election and upcoming bond issuance process.

A media search conducted to gauge public awareness of the Project, as well as to detect any possible opposition from the community concerning the proposed investment, did not identify any Project-related articles. Several articles were found that offered information to local residents about other infrastructure projects impacting the area, including line repairs and boil notices to mitigate potential cross-contamination in the drinking water system, as well as water conservation efforts due to vulnerable water supply levels.

The Project Sponsor did inform NADBank that some concerns had been raised by a small minority of property owners during the public outreach process for the bond election. However, based on the outcome of the election, more than sufficient support was documented to advance the financing and implementation of the Project.

The activities carried out by LMWD demonstrate that the public has been informed about the Project, including its technical aspects and financial impacts to residents.