

SECOND PARTY OPINION

GREEN BONDS

SUMMARY

Kestrel Verifiers is of the opinion that the Regional Wastewater System Revenue Bonds (Green Bonds) conform with the four pillars of the Green Bond Principles 2018 as follows:



Use of Proceeds

The District intends to use bond proceeds for system improvements at three separate District owned wastewater facilities. Projects include improvements to peak flow capacity, electrical systems, and solids handling. The improvements support environmental conservation objectives and are eligible in the Sustainable Wastewater Management project category of the Green Bond Principles.



Process for Project Evaluation and Selection

The North Texas Municipal Water District Board of Directors and various committees meet regularly to discuss and approve projects that align with long term plans and the District's vision. Kestrel Verifiers evaluated the bond financed projects for conformance with the Sustainable Wastewater Management project category of the Green Bond Principles.



Management of Proceeds

100% of the bond proceeds shall be allocated and restricted for improvements within the Regional Wastewater System.



Reporting

The District has agreed to annually post continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) on the Electronic Municipal Market Access (EMMA) system.



ISSUER

North Texas Municipal Water
District, Texas

OPINION ON

Regional Wastewater System
Revenue Bonds, Series 2020A
(Green Bonds)

GREEN CATEGORY

Sustainable Wastewater
Management

EVALUATION DATE

June 25, 2020

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SECOND PARTY OPINION

Par: \$35,130,000
Issuer: North Texas Municipal Water District, Texas
Issue Description: Regional Wastewater System Revenue Bonds, Series 2020A (Green Bonds)
Project: Wastewater System Improvements
Green Category: Sustainable Wastewater Management
Evaluation Date: June 25, 2020

SECOND PARTY OPINION SUMMARY

Based on our independent verification, the Regional Wastewater System Revenue Bonds, Series 2020A (Green Bonds) (“Wastewater Revenue Bonds”) conform, in all material respects, with the Green Bond Principles (2018). By providing comprehensive and efficient wastewater treatment services, North Texas Municipal Water District (NTMWD) supports environmental objectives including natural resource conservation and pollution prevention and control. It is the opinion of Kestrel Verifiers that these bonds are in complete alignment with the Sustainable Wastewater Management category of the Green Bond Principles.

GREEN BONDS DESIGNATION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of this bond to evaluate conformance with the Green Bond Principles (June 2018) established by the International Capital Market Association.

This Second Party Opinion reflects our review of the uses and allocation of proceeds and oversight and conformance of the bonds with the Green Bond Principles. In our opinion, the Wastewater Revenue Bonds issued by the District are aligned with the four pillars of the Green Bond Principles and qualify for green bonds designation.

ABOUT THE ISSUER

The NTMWD serves 2,200 square miles in nine counties and 13 Member Cities in North Central Texas. The District provides a combination of water, wastewater, and solid waste services to these areas and maintains multiple facilities. A total of 24 cities, communities, and special utility districts receive wastewater services from the District. The Regional Wastewater System includes the Mesquite Wastewater Treatment Plant, the Floyd Branch Wastewater Treatment Plant (Richardson), the Rowlett Creek Wastewater Treatment Plant (Plano), the Wilson Creek Wastewater Treatment Plant, and the Sister Grove Water Resource Recovery Facility (currently under construction). Treatment capacity of the existing regional facilities is 118 million gallons per day. In addition to the regional facilities, NTMWD owns and maintains seven additional local facilities in Member Cities.

NTMWD has multiple ongoing sustainable water and wastewater management plans and projects.

- The District was awarded a 2020 Texas Conservation Award for their Lavon Lake Watershed Protection Plan. The award is provided by the Texas State Soil and Water Conservation Board and the Association of Texas Soil and Water Conservation Districts to recognize the ongoing conservation efforts of the district.
- The District is planning the Sister Grove Regional Water Resource Recovery Facility in anticipation of rapid population growth. The Facility will treat wastewater prior to release into surface water bodies, thereby reducing discharge of harmful pollutants into regional watersheds.
- The East Fork Water Reuse Project, operating since 2009, is the largest man-made wetland, using reclaimed water to augment a surface water supply source, in the United States. The reuse project was designed specifically to mimic the natural processes of wetland ecosystems. The project removes nutrients and sediment from treated wastewater prior to discharge into Lavon Lake. Water from Lavon Lake is subsequently treated at Wylie Water Treatment Plant for distribution across the region. NTMWD diverts and treats more than 14 billion gallons annually making it the largest wastewater reuse program in the state of Texas.
- The District's 2019 Draft Water Conservation Plan includes goals for water reuse and recycling and guides the District's vision of water resources sustainability.

THE BOND-FINANCED PROJECT

Proceeds from the Wastewater Revenue Bonds will finance multiple projects at three different regional wastewater treatment plants owned by the District. Table 1 summarizes the projects to be funded with these bond proceeds.

South Mesquite Regional Wastewater Treatment Plant (South Mesquite RWWTP)

South Mesquite has a current permitted treatment capacity of 33 million gallons per day (MGD). Improvements to the solids handling process will allow the facility to expand to 41 MGD. The regional solids handling improvements will include a 2,900 square foot solids operations and control building, a new dewatering building, an aerated sludge blend tank, and other equipment for efficient solids management. The Peak Flow Management and Expansion (Phase I) project has an overall objective to identify a peak flow management strategy and includes a new peak flow basin and lift station to handle increased capacity.

Rowlett Regional Wastewater Treatment Plant (Rowlett RWWTP)

Electrical system upgrades at Rowlett Creek are necessary for plant operations and maintenance. Recent capital projects have aimed to increase the peak flow capacity at Rowlett RWWTP to 60 million gallons per day to reduce impact on Wilson Creek RWWTP. Phase 1 is intended to increase capacity by 17.5 million gallons per day. The 6,000 square foot operations building to be built at Rowlett Creek WWTP will replace the existing Operations Building that was built in the mid-1970's and the temporary trailer on site that houses offices for operations staff.

Floyd Branch Regional Wastewater Treatment Plant (Floyd Branch RWWTP)

The Floyd Branch RWWTP has a current capacity of 4.75 million gallons per day and has recently undergone a planning phase with the development of the Floyd Branch Regional WWTP Master Plan. The District aims to update the Plant's facilities to avoid exceedance of permitted peak flows.

Table 1: Wastewater System Improvement projects receiving funds from the 2020A bond proceeds

Project	Budgeted 2020A Funds	Phase
South Mesquite Regional Wastewater Treatment Plant (WWTP) System Peak Flow Management and Expansion Phase I	\$4,550,000	Design & Preconstruction
Rowlett Creek Regional WWTP Operations Building	\$2,705,000	Construction & Inspection
South Mesquite Regional WWTP Solids Handling Improvements	\$25,800,000	Construction & Inspection
Rowlett Creek Regional WWTP Electrical Improvement	\$1,500,000	Construction
Floyd Branch Regional WWTP Peak Flow Management	\$1,400,000	Design

ALIGNMENT TO GREEN STANDARDS


Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bonds Principles ("pillars") which include: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting (International Capital Market Association definition).

Use of Proceeds

The Wastewater Revenue Bonds will be used to finance the District’s wastewater system improvements exclusively. Projects financed by the Series 2020A bonds are eligible green projects as defined by the Green Bond Principles in the Sustainable Wastewater Management project category.

The projects selected for funding consider the impact of rapid population growth in the region and the need to increase treatment capacity while preserving natural resources. Environmental objectives, including a reduced environmental impact and improved water quality, are achieved with electrical efficiency improvements, and improved filtration and solids handling. Additionally, increased capacity to handle peak flows will help ensure the reliability and long-term sustainability of the District’s wastewater system.

The project conforms with the Green Bond Principles:

BOND LABEL	ELIGIBILITY CRITERIA
	Sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation

Process for Project Evaluation and Selection

The District is committed to long term planning that accounts for a projected doubling of its service area by 2050 to over 3 million residents. The District is also dedicated to maintaining environmental regulatory compliance. The Strategic Plan for 2019-2024 maps NTMWD’s vision and mission for both water and wastewater services and includes objectives ranging from public education, maintenance of a reliable and resilient system, to environmental stewardship.

NTMWD is managed by a Board of Directors made up of 25 appointed representatives and various committees that meet regularly to discuss and approve capital projects. Various master plans guide maintenance and capital improvement needs. For example, the 2017 South Mesquite Creek Regional Wastewater Treatment Plant Long-Range Master Plan recommended improvements to the solids dewater and handling process.

Management of Proceeds

100% of the bond proceeds are required to be allocated to the Wastewater System. Bond proceeds will be deposited to the Construction Fund which is restricted by the designated purpose of the bonds. Also, NTMWD participates in the Texas Public Accountants’ Transparency Stars program which recognizes participants for providing clear and accessible financial information to stakeholders.

Reporting

So long as the Revenue Bonds are outstanding, the District will submit continuing disclosures to the Municipal Securities Rulemaking Board (MSRB). The District will also provide reports in the event of material developments. This reporting will be done annually on the Electronic Municipal Market Access (EMMA) system operated by the MSRB. Additionally, NTMWD provides project updates in their Annual Reports and on their Projects website (<https://www.ntmwd.com/projects/> Accessed June 2020).

ABOUT KESTREL VERIFIERS



For 20 years, Kestrel has been a trusted consultant in environmental finance. Kestrel Verifiers, a division of Kestrel 360, is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based, Woman-Owned Small Business and is certified as a Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com.

DISCLAIMER

This opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information which was available to us during the time of this engagement (June 2020) only. By providing this opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Green Bonds. It was beyond Kestrel Verifiers' scope of work to review issues relating to regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. The opinion delivered by Kestrel Verifiers does not address financial performance of the Green Bonds or the effectiveness of allocation of its proceeds. This opinion does not make any assessment of the creditworthiness of the Issuer, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the issuer or the projects discussed. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

