



## PROJECT FUNDING REQUEST

**BOARD DATE:** May 9, 2024

**Team Manager:** Dain Larsen

### ACTION REQUESTED

Consider approving by resolution a request from the City of Blanco (Blanco County) for \$3,903,919 in financial assistance consisting of \$3,390,000 in financing and \$513,919 in principal forgiveness from the Drinking Water State Revolving Fund for planning, acquisition, design, and construction of a water system project.

### STAFF RECOMMENDATION

Approve       No Action

### BACKGROUND

The City of Blanco (City) is located approximately 50 miles southwest of Austin. The City provides water and wastewater services to a population of approximately 2,256 residents and approximately 1,500 connections.

### PROJECT NEED AND DESCRIPTION

The City has identified three major water lines within the City's service area that are in serious disrepair and contributing to substantial water loss within the distribution system.

The City proposes to replace water lines in three locations. The proposed replacements include approximately 900 linear feet of 2 and 8-inch water line to be replaced with 8-inch water line along the south side of 9th Street, approximately 12,000 linear feet of 8-inch water line along Ceilo Springs Drive between US 281 and Kendalia Drive, and 1,400 linear feet of 2-inch water line near Heimer Lane along the Blanco River.

### PROJECT SCHEDULE

Task	Schedule Date
Closing	August 1, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	June 28, 2024
Design Phase Completion	December 20, 2024
Start of Construction	May 2, 2025
Construction Completion	May 14, 2027

### KEY ISSUES

The City qualifies for principal forgiveness for green project components that address water loss.

**COMMITMENT PERIOD:** SIX (6) MONTHS TO EXPIRE NOVEMBER 30, 2024

## **LEGAL/SPECIAL CONDITIONS**

- Adoption of Water Conservation Plan
- Executed principal forgiveness agreement
- Return of surplus principal forgiveness funds

### **Attachments:**

1. Financial Review
2. Project Budget
3. Resolution (24- )
4. Water Conservation Review
5. Location Map

# Financial Review

## City of Blanco

Risk Score: 2B

Audit Reviewed: FY 2022

### Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: -0.33%	State: 1.49%
Top 10 Customers % of Total Revenue	1%	10-15%
Median Household Income as % of State	81%	100%
Days of Cash on Hand (3-year Average)	253 days	30-149 days
Net Fixed Assets/ Annual Depreciation	25 years	12-24 years
Debt Service Coverage Ratio	0.70x	1.10x
Debt-to-Operating Revenues	2.19	4.00-5.99x
Unemployment Rate (January 2024)	Blanco County: 2.90%	State: 3.90%
Cash Balance Ratio	-100.01%	0-9.99%

### Key Risk Score Strengths

- The City's taxable assessed valuation has increased approximately 114 percent over the past five years going from \$161,887,027 to \$345,823,937. Additionally, the tax collection rate average is 98 percent.
- The days of cash on hand for the City are above the benchmark, indicating it can pay operating expenses or proposed debt service requirements with available cash.
- The City's top ten customers of the utility system are at one percent revealing that revenue is generated from a diverse customer base.

### Key Risk Score Concerns

- Based on the 2022 audited financials, the City's debt service coverage ratio is below the required coverage; however, a rate increase was implemented in October 2023. In a no-growth scenario with the recent rate increase, the City is projected to need to increase the interest and sinking fund tax rate from \$0.1506 to a maximum of \$0.2692 in 2028 to meet the debt service coverage requirements.
- The City's negative cash balance ratio resulted from using unrestricted cash for the construction in progress on capital improvements projects. To better manage fund balances, the City recently implemented asset management policies, as recommended by the consultants from the TWDB's CFO to Go program.
- The City's census population has declined slightly over the past ten years but the number of water and sewer connections have increased annually over the past five years.

**PLEDGE**

Legal Pledge Name	Ad Valorem Tax and Utility System Revenues
Type of Pledge	<input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input type="checkbox"/> First <input type="checkbox"/> Second <input checked="" type="checkbox"/> Third <input type="checkbox"/> N/A

**RATES AND CHARGES**

Average Residential Use	Gallons/Month	Current Rates	Projected Rates (Year 2025)	Current Household Cost Factor	Projected Household Cost Factor
Water	5,800	\$115.61	\$115.61	3.56	3.56
Wastewater	5,800	\$40.00	\$40.00		

**TAXES**

	2023 Tax Year Rate	Max Projected Tax Rate (Year 2028)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.2026	\$0.2026	\$1.50	98%	\$345,823,937
Interest & Sinking	\$0.1506	\$0.2692			
Total Tax Rate	\$0.3532	\$0.4718			

Cost Savings

Based on a 25-year maturity schedule and current interest rates, the City could save approximately \$1,084,371 over the life of the financing. The City is also saving \$513,919 in principal forgiveness.



## Project Data Summary

<b>Responsible Authority</b>	Blanco
<b>Program</b>	DWSRF
<b>Commitment Number</b>	L1001768, LF1001769
<b>Project Number</b>	62938
<b>List Year</b>	2023
<b>Type of Pledge</b>	Combo Tax and Revenue
<b>Pledge Level (if applicable)</b>	Third Lien
<b>Legal Description</b>	\$3,390,000 City of Blanco, Texas Combination Tax & Surplus Revenue Certificates of Obligation, Proposed Series 2024 and \$513,919 Principal Forgiveness Agreement.
<b>Tax-exempt or Taxable</b>	Tax-Exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay = Escrow Release
<b>Qualifies as Disadvantaged</b>	No
<b>State Revolving Fund Type</b>	Equivalency
<b>Financial Managerial &amp; Technical Complete</b>	Yes
<b>Phases Funded</b>	Planning, Acquisition, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with State Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Approvable
<b>Overall Risk Score</b>	2B

### PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
David Firgens	Caaren Skrobarczyk	David Firgens	Chris Caran	Marshall Walters

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY

City of Blanco

\$3,390,000 City of Blanco, Texas Combination Tax & Surplus Revenue Certificates of Obligation, Proposed Series 2024

<p>Dated Date: 8/1/2024                  Delivery Date: 8/1/2024                  First Interest: 3/1/2025                  First Principal: 9/1/2028                  Last Principal: 9/1/2053                  Fiscal Year End: 09/30                  Required Coverage: 1.1</p>	<p>Source: DWSRF-EQUIVALENCY                  Rate: 2.78%                  IUP Year: 2023                  Case: Tax &amp; Revenue                  Admin.Fee: \$66,471                  Admin. Fee Payment Date: 8/1/2024                  Total Assessed Valuation: \$345,823,937</p>
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FISCAL YEAR	PROJECTED TAX REVENUES			PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$3,390,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
	TAX RATE	WITH COLL. @ 98%					PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2025	\$0.1788	\$605,954	\$326,879	\$932,833	\$751,871	\$0	-	\$96,158	\$96,158	\$848,030	1.10	
2026	0.2375	804,941	326,879	1,131,820	940,166	-	0.00%	88,762	88,762	1,028,927	1.10	
2027	0.2389	809,676	326,879	1,136,555	944,470	-	0.00%	88,762	88,762	1,033,232	1.10	
2028	0.2692	912,251	326,879	1,239,130	942,720	95,000	1.83%	88,762	183,762	1,126,482	1.10	
2029	0.1866	632,458	326,879	959,337	685,102	100,000	1.85%	87,023	187,023	872,125	1.10	
2030	0.2225	753,947	326,879	1,080,826	797,396	100,000	1.88%	85,173	185,173	982,569	1.10	
2031	0.2206	747,495	326,879	1,074,374	793,411	100,000	1.95%	83,293	183,293	976,704	1.10	
2032	0.1437	487,122	326,879	814,001	553,658	105,000	1.97%	81,343	186,343	740,001	1.10	
2033	0.1414	479,340	326,879	806,219	548,652	105,000	2.00%	79,275	184,275	732,927	1.10	
2034	0.1423	482,128	326,879	809,007	548,286	110,000	2.02%	77,175	187,175	735,461	1.10	
2035	0.1397	473,439	326,879	800,318	542,610	110,000	2.18%	74,953	184,953	727,562	1.10	
2036	0.1435	486,309	326,879	813,188	551,707	115,000	2.30%	72,555	187,555	739,262	1.10	
2037	0.1422	481,860	326,879	808,739	550,308	115,000	2.41%	69,910	184,910	735,217	1.10	
2038	0.1424	482,500	326,879	809,379	548,661	120,000	2.54%	67,138	187,138	735,799	1.10	
2039	0.1408	477,040	326,879	803,919	546,746	120,000	2.62%	64,090	184,090	730,836	1.10	
2040	0.1423	482,158	326,879	809,037	549,543	125,000	2.67%	60,946	185,946	735,489	1.10	
2041	0.1420	481,289	326,879	808,168	547,090	130,000	2.72%	57,609	187,609	734,698	1.10	
2042	0.1416	479,874	326,879	806,753	549,340	130,000	2.77%	54,073	184,073	733,412	1.10	
2043	0.1427	483,600	326,879	810,479	551,328	135,000	2.81%	50,472	185,472	736,799	1.10	
2044	0.1436	486,747	326,879	813,626	552,982	140,000	2.85%	46,678	186,678	739,660	1.10	
2045	0.1412	478,435	326,879	805,314	549,416	140,000	2.88%	42,688	182,688	732,104	1.10	
2046	0.1419	480,806	326,879	807,685	550,603	145,000	2.91%	38,656	183,656	734,259	1.10	
2047	0.1425	482,774	326,879	809,653	551,612	150,000	2.94%	34,437	184,437	736,048	1.10	
2048	0.1412	478,698	326,879	805,577	547,316	155,000	2.96%	30,027	185,027	732,343	1.10	
2049	0.0572	193,820	326,879	520,699	287,925	160,000	2.99%	25,439	185,439	473,363	1.10	
2050	0.0198	66,961	326,879	393,840	172,382	165,000	3.00%	20,655	185,655	358,036	1.10	
2051	0.0188	63,812	326,879	390,691	169,469	170,000	3.01%	15,705	185,705	355,174	1.10	
2052	0.0195	65,922	326,879	392,801	171,505	175,000	3.02%	10,588	185,588	357,092	1.10	
2053	0.0053	18,035	326,879	344,914	133,256	175,000	3.03%	5,303	180,303	313,559	1.10	
					\$16,129,527	\$3,390,000		\$1,697,639	\$5,087,639	\$21,217,166		

AVERAGE (MATURITY) LIFE	17.99 YEARs
NET INTEREST RATE	2.784%
COST SAVINGS	\$ 1,084,371
AVERAGE ANNUAL REQUIREMENT	\$175,431

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.



## Project Budget Summary

Attachment 2

Blanco

62938 - City of Blanco Water System Improvements

Budget Items	Description	This Commitment	Total
<b>Construction</b>			
Construction		\$2,809,043.00	\$2,809,043.00
<b>Subtotal for Construction</b>		<b>\$2,809,043.00</b>	<b>\$2,809,043.00</b>
<b>Basic Engineering Services</b>			
Construction Engineering		\$75,000.00	\$75,000.00
Design		\$296,356.00	\$296,356.00
Planning		\$20,000.00	\$20,000.00
<b>Subtotal for Basic Engineering Services</b>		<b>\$391,356.00</b>	<b>\$391,356.00</b>
<b>Special Services</b>			
Environmental		\$10,000.00	\$10,000.00
<b>Subtotal for Special Services</b>		<b>\$10,000.00</b>	<b>\$10,000.00</b>
<b>Fiscal Services</b>			
Bond Counsel		\$32,500.00	\$32,500.00
Financial Advisor		\$58,500.00	\$58,500.00
Fiscal/Legal		\$10,000.00	\$10,000.00
Issuance Costs		\$21,914.00	\$21,914.00
Loan Origination Fee		\$66,471.00	\$66,471.00
<b>Subtotal for Fiscal Services</b>		<b>\$189,385.00</b>	<b>\$189,385.00</b>
<b>Other</b>			
Land/Easements Acquisition		\$53,000.00	\$53,000.00
<b>Subtotal for Other</b>		<b>\$53,000.00</b>	<b>\$53,000.00</b>
<b>Contingency</b>			
Contingency		\$451,135.00	\$451,135.00
<b>Subtotal for Contingency</b>		<b>\$451,135.00</b>	<b>\$451,135.00</b>
<b>Total</b>		<b>\$3,903,919.00</b>	<b>\$3,903,919.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$3,903,919 TO THE CITY OF BLANCO  
FROM THE DRINKING WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$3,390,000 CITY OF BLANCO, TEXAS COMBINATION  
TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION,  
PROPOSED SERIES 2024  
AND  
\$513,919 IN PRINCIPAL FORGIVENESS

(24 - )

Recitals:

The City of Blanco (City), located in Blanco County, Texas, has filed an application for financial assistance in the amount of \$3,903,919 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, acquisition, design, and construction of certain water system improvements identified as Project No. 62938.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$3,390,000 City of Blanco, Texas Combination Tax and Surplus Revenue of Obligations, Proposed Series 2024 (together with all authorizing documents (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of \$513,919, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The City has offered a pledge of ad valorem taxes and surplus revenues of the City's utility system as sufficient security for the repayment of the Obligations.

The commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 371.13.

Findings:

1. The revenue or taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607.
2. The application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.*
3. The term of the Obligations does not exceed the expected useful life of the project proposed by the City.



4. The City has submitted a proposed program of water conservation for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules.
5. The TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j).
6. The City has completed a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 and filed it with the TWDB in accordance with Texas Water Code § 16.053(j).
7. The TWDB has determined that the entire Project, or a portion of the Project, satisfies the applicable Intended Use Plan's criteria for Green Projects and is eligible for Principal Forgiveness in the amount of \$513,919.

NOW, THEREFORE, based on these findings, the TWDB resolves as follows:

A commitment is made by the TWDB to the City of Blanco for financial assistance in the amount of \$3,903,919 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$3,390,000 City of Blanco, Texas Combination Tax and Surplus Certificates of Obligation, Proposed Series 2024, and the execution of a Principal Forgiveness Agreement in the amount of \$513,919. This commitment will expire on November 30, 2024.

The commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand as determined by the TWDB. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution.
2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all the requirements of the laws under which the Obligations were issued have been complied with; that the Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that the Obligations are valid and binding obligations of the City.

3. This commitment is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 371.
4. The Obligations must provide that the City agrees to comply with all the conditions set forth in the TWDB Resolution.
5. The Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations at a redemption price of par together with accrued interest to the date fixed for redemption.
6. The City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations, or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by the Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of the rule, this continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers the Obligations and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to those bonds under SEC Rule 15c2-12.
7. The Obligations must contain a provision requiring the City to levy a tax or maintain and collect sufficient rates and charges, as applicable, to produce system funds in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations.
8. The Obligations must include a provision requiring the City to use any financial assistance proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project explicitly approved by the Executive Administrator, or, if no enhancements are authorized by the Executive Administrator, requiring the City to submit a final accounting and disposition of any unused funds.
9. The Obligations must include a provision requiring the City to use any financial assistance proceeds from the Obligations determined to be surplus funds in a manner approved by the Executive Administrator. Surplus funds are funds remaining after completion of the project and completion of a final accounting.

10. The Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies will be of no force and effect.
11. Proceeds of this commitment are public funds. Therefore, the Obligations must include a provision requiring that these proceeds will be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.
12. Proceeds of this commitment must not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations must include a provision that states the City is solely responsible for liability resulting from acts or omissions of the City, its employees, contractors, or agents arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage sludge, contaminated sediments or contaminated media that may be generated by the City, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
13. Before closing, the City must submit documentation evidencing the adoption and implementation of sufficient system rates and charges or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements.
14. Before closing, and if not previously provided with the application, the City must submit executed contracts for engineering and, if applicable, financial advisor and bond counsel for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.
15. Before closing, when any portion of the financial assistance is to be held in escrow or in trust, the City must execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and must submit that executed agreement to the TWDB.
16. The Executive Administrator may require the City to execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
17. The TWDB retains the option to purchase the Obligations in separate lots or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator.

18. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
19. The Obligations must provide that the City must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued including the standard emergency discovery conditions for threatened and endangered species and cultural resources.
20. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
21. The City must immediately notify TWDB, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition).
22. The Obligations must provide that the City will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

Tax-Exempt Conditions:

23. The City's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion.
24. The City's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion.
25. The Obligations must include a provision prohibiting the City from using the proceeds of this financial assistance in a manner that would cause the Obligations to become "private activity bonds" within the meaning of section 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated under section 141 (Regulations).
26. The Obligations must provide that no portion of the proceeds of this commitment will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of section 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's

bonds that are issued to provide financing for this commitment (Source Series Bonds), other than Nonpurpose Investments acquired with:

- a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until the proceeds are needed for the facilities to be financed;
  - b. amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Regulations; and
  - c. amounts deposited in any reasonably required reserve or replacement fund to the extent the amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations.
27. The Obligations must include a provision requiring the City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government to satisfy the requirements of section 148 of the Code. The Obligations must provide that the City must:
- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments) on its books of account separately and apart from all other funds (and receipts, expenditures and investments) and retain all records of the accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its financing with other money of the City, provided that the City separately accounts for each receipt and expenditure of the Gross Proceeds and the obligations acquired with them;
  - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financing, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the rulings under these sections. The City must maintain a copy of the calculations for at least six years after the final Computation Date;
  - c. as additional consideration for the making of this commitment, and to induce the making of the commitment by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners for federal income tax purposes, pay to the

United States the amount described in paragraph (b) above within 30 days after each Computation Date; and

- d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if an error is made, to discover and promptly to correct the error within a reasonable amount of time including payment to the United States of any interest and any penalty required by the Regulations;
28. The Obligations must include a provision prohibiting the City from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes.
29. The Obligations must provide that the City will not cause or permit the Obligations to be treated as “federally guaranteed” obligations within the meaning of section 149(b) of the Code.
30. The transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the City’s reasonable expectations regarding the use, expenditure, and investment of the proceeds of the Obligations.
31. The Obligations must contain a provision that the City will refrain from using the proceeds provided by this TWDB commitment or the proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Obligations in contravention of the requirements of section 149(d) of the Code (relating to advance refundings).
32. The transcript must include evidence that the information reporting requirements of section 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of section 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.
33. The Obligations must provide that neither the City nor a related party will acquire any of the TWDB’s Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the City by the TWDB.
34. The City’s federal tax certificate must provide that the weighted average maturity of the Obligations purchased by the TWDB does not exceed 120% of the weighted average reasonably expected economic life of the Project.

State Revolving Fund Conditions:

35. The City must submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
36. The Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects will be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The City, all contractors, and all sub-contractors must ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with the financial assistance made available must insert in full in any contract in excess of \$2,000 the contract clauses as provided by the TWDB.
37. The Obligations must include a provision stating that the City must provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The City must obtain a Unique Entity Identification Number and must register with System for Award Management (SAM) and maintain current registration at all times during which the Obligations are outstanding.
38. The Obligations must provide that all financial assistance proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and must provide that the City will adhere to the approved project schedule.
39. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines.
40. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City must abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.
41. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58.

Drinking Water State Revolving Fund Conditions;

42. The City must pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.

43. Before closing, the Texas Commission on Environmental Quality must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the City has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations.
44. Before the release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the City must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program.

Pledge Conditions:

45. The Obligations must contain a provision that provides as follows:
  - a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or
  - b. if surplus revenues are based upon budgeted amounts:
    - i. the Obligations must include a requirement that the City transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance authorizing the issuance of the Obligations must include a requirement that the City must not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;
    - ii. the Obligations must include a requirement that for each year the Obligations are outstanding, and before the time taxes are to be levied for that year, the City must establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues or tax revenues or both, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination of these, into the Interest and Sinking Fund for the repayment of the Obligations; and



- iii. the Obligations must include a requirement that the City must at all times maintain and collect sufficient rates and charges in conjunction with any other legally available funds so that after payment of the costs of operating and maintaining the system, it produces revenues in an amount not less than 1.10 times debt service requirements of all outstanding Obligations of the City and other obligations of the City which are secured in whole or in part by the pledged revenues, for which the City is budgeting the repayment of the Obligations, or the City must provide documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements.

Special Conditions:

- 46. Before closing, the City must adopt and implement the water conservation program approved by the TWDB.
- 47. Before closing, the City must execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.
- 48. The Principal Forgiveness Agreement must include a provision stating that the City must return any principal forgiveness funds that are determined to be surplus funds.

APPROVED and ordered of record this 9th day of May 2024.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Brooke T. Paup, Chairwoman

DATE SIGNED: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Bryan McMath, Interim Executive Administrator

Review Date:

Project ID:

Water  
Wastewater  
Other

**WATER CONSERVATION REVIEW**

Entity:

Other entity:

**WATER CONSERVATION PLAN DATE:****Approvable****Adopted**

	<b>Total GPCD</b>	<b>Residential GPCD</b>	<b>Water Loss GPCD</b>
<b>Baseline</b>			
<b>5-year Goal</b>			
<b>10-year Goal</b>			

**WATER LOSS AUDIT YEAR:**

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI<sup>1</sup>:

1 – Infrastructure Leakage Index only applicable if > 16 connections per mile and > 3,000 service connections

**WATER LOSS THRESHOLDS**

Water Loss Project:

Wholesale Adjusted:

Threshold Type:

Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Loss Threshold Gallons per connection per day	Real Loss Threshold Gallons per mile per day	Real Loss Threshold Gallons per connection per day

Does the applicant meet Water Loss Threshold Requirements?

**Yes****No****NA****ADDITIONAL INFORMATION****STAFF NOTES AND RECOMMENDATIONS**

## DEFINITIONS

**Adopted** refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

**Apparent losses** are paper losses that occur when the water reaches a customer, but the volume is not accurately measured and/or recorded due to unauthorized consumption, customer meter inaccuracy, or billing system and collection data errors.

**Approvable** refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

**Best Management Practices** are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

**GPCD** means gallons per capita per day.

**GCD** means gallons per connection per day.

**Infrastructure Leakage Index (ILI)** is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 3,000 connections and a connection density of more than 16 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a bench marking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

**NA** means not applicable.

**Real losses** are the physical losses, largely leakage, from the infrastructure: mains, valves, and storage tank overflows. Real loss constitutes background leakage (unreported and difficult to detect), unreported leakage (leaks that do not surface but could be detected), and reported leakage (leaks that often surface and those that are detected by the utility through leak detection).

**Residential GPCD** is the amount of residential water use (single and multi-family customer use) divided by the residential population divided by 365.

**Total GPCD** is the amount of total system input volume divided by the retail population divided by 365.

**Total water loss** is the sum of the apparent and real water losses.

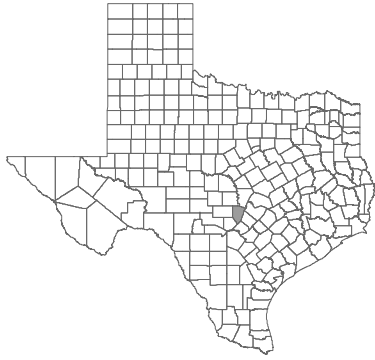
**Water loss** is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

**Water Loss GPCD** is the amount of water loss divided by the retail population divided by 365.

**Water Loss per Connection per Day** Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

**Water Loss Thresholds** are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

**Wholesale Adjusted** represents that some utilities provide large volumes of wholesale water to other providers that travel through the general distribution system, so a calculation has been established to adjust for that volume of wholesale water. These adjustments are only applicable for use in determining whether a utility meets or exceeds water loss thresholds in review of their application for financial assistance. These adjustments should not be used for performance tracking or benchmarking.



# City of Blanco Blanco County

