

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: January 8, 2015

TEAM MANAGER: Nancy Richards

APPLICANT	Angelina & Neches River Authority
TYPE OF ASSISTANCE	\$1,820,000 Loan \$3,176,250 Loan Forgiveness
LEGAL PLEDGE	Contract Revenues

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve, by resolution, a request from the Angelina & Neches River Authority (**Angelina County**) for a \$1,820,000 loan and \$3,176,250 in loan forgiveness from the Clean Water State Revolving Fund to finance construction costs for first time sewer service to approximately 105 connections including Redland Estates.

PROJECT

Redlands Estates & Fresh Water Supply District #1
Project Number 73677

FINANCIAL SUMMARY

Risk Score:	2B
Pledge for Repayment:	Contract Revenues
Proposed Repayment Method:	Contract Revenues
Revenue Coverage Range: (first 5 Years)	1.03x-1.04x
Operating Trends:	Positive

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE ON JANUARY 31, 2016
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FINANCIAL

Key Issues

None.

Pledge and Repayment

The Angelina & Neches River Authority (Authority) Bonds will be secured by and payable from a first lien on revenues from the Angelina County Fresh Water Supply District No.1 combined waterworks and sewer systems (Contract Revenues) for repayment of the proposed loan. Based on staff's review of audited financial information and other documentation to assess the entity's ability to manage existing obligations, the Authority's current contract revenues are sufficient to meet the proposed debt service requirements.

Loan Forgiveness

The Authority has qualified for \$3,176,250 in Disadvantaged Communities loan forgiveness funding per the 2015 Intended Use Plan.

Cost Savings

Based on a 20-year maturity schedule, current interest rates, and loan forgiveness funds, the Authority could save approximately \$4,379,000 over the life of the loan.

Internal Risk Score

Staff assigns a risk score of 2B. A risk score of 2B means that the Authority's repayment capacity is adequate. The applicant's earning trends and coverage ratios, while sound, may be more susceptible to moderate changes in circumstances and economic conditions than higher rated obligations. Certain risk elements may exist that suggest susceptibility to future impairment, if not managed.

The Authority's population growth has remained stable since 2010 and the median household income is \$39,325, or 76% of the State median household income of \$51,543. The Authority's 6.9% unemployment rate is 2.1% points higher than the State unemployment rates of 4.8%.

As a regional provider, the Authority has a diverse customer's base and positive operating trend. During 2013, the two major sewer customers of the Authority were Idlewood Water Control & Improvement District and the Department of Aging & Disability Services. The stability of the Authority's financial and operational management supports the recommendation of a 2B risk rating.

LEGAL

Key Issues

None.

CONDITIONS

Standard tax-exempt and Clean Water State Revolving Fund conditions and further conditions as follows:

- Executed Loan Forgiveness Agreement;
- Return of surplus forgiveness funds;

Attachments: 1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental Review
4. Project Budget
5. Resolution (15-)
6. Water Conservation Review
7. Location Map

PROJECT DATA SUMMARY

Responsible Authority	Angelina & Neches River Authority
Program	Clean Water State Revolving Fund
Commitment Code	L1000396 LF1000399
Project Number	73677
Intended Use Plan Year	2015
Fund Number	651
Type of Pledge	4
Revenue Pledge Level	First
Legal Description	\$1,820,000 Contract Revenue Bonds, Proposed Series 2015 \$3,176,250 Loan Forgiveness
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay= Escrow Release
Population	573
Rural	Yes
Water Connections	N/A
Wastewater Connections	N/A
Qualifies as Disadvantaged	Yes
Disadvantaged Level	6
Clean Water State Revolving Fund Type	Equivalency
Financial, Managerial, and Technical Review Complete?	N/A
Phase Committing	Construction
Pre-Design	No
Project Consistent with Water Plan	N/A
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

Manager	Nancy Richards
Financial Analyst	Charles R. Nichols
Engineering Reviewer	James Bronikowski
Environmental Reviewer	Chris Caran
Attorney	Annette Mass

ISSUE BEING EVALUATED
ANGELINA & NECHES RIVER AUTHORITY
\$1,820,000 Contract Revenues Bonds, Series 2015

Dated Date	05/01/15	Source: SRF
Delivery Date	05/01/15	Rate: 1.46%
First Interest	12/01/15	Insurance: None
First Principal	12/01/15	Case: Contract Revenues
Last Principal	09/01/35	Admin. Fee Payment Date: 5/1/2015
Fiscal Year End	8/31	Administrative Fee: \$33,058

RATES ARE FOR ILLUSTRATION PURPOSES ONLY AND ARE SUBJECT TO CHANGE

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	----- THIS \$1,820,000 ISSUE -----				TOTAL DEBT SERVICE	COVERAGE BEING REQUIRED	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT			
2016	335,538	267,961	30,000	1.46%	28,567	58,567	326,528	1.00	1.03
2017	335,538	267,402	30,000	1.46%	25,915	55,915	323,317	1.00	1.04
2018	335,538	266,671	30,000	1.46%	25,477	55,477	322,148	1.00	1.04
2019	335,538	270,731	30,000	1.46%	25,039	55,039	325,770	1.00	1.03
2020	335,538	269,390	30,000	1.46%	24,601	54,601	323,991	1.00	1.04
2021	335,538	267,817	30,000	1.46%	24,163	54,163	321,980	1.00	1.04
2022	335,538	271,006	30,000	1.46%	23,725	53,725	324,731	1.00	1.03
2023	335,538	268,793	30,000	1.46%	23,287	53,287	322,080	1.00	1.04
2024	335,538	266,363	30,000	1.46%	22,849	52,849	319,212	1.00	1.05
2025	335,538	273,673	30,000	1.46%	22,411	52,411	326,084	1.00	1.03
2026	335,538	-	130,000	1.46%	21,243	151,243	151,243	1.00	2.22
2027	335,538	-	130,000	1.46%	19,345	149,345	149,345	1.00	2.25
2028	335,538	-	140,000	1.46%	17,374	157,374	157,374	1.00	2.13
2029	335,538	-	140,000	1.46%	15,330	155,330	155,330	1.00	2.16
2030	335,538	-	140,000	1.46%	13,286	153,286	153,286	1.00	2.19
2031	335,538	-	140,000	1.46%	11,242	151,242	151,242	1.00	2.22
2032	335,538	-	140,000	1.46%	9,198	149,198	149,198	1.00	2.25
2033	335,538	-	140,000	1.46%	7,154	147,154	147,154	1.00	2.28
2034	335,538	-	140,000	1.46%	5,110	145,110	145,110	1.00	2.31
2035	335,538	-	140,000	1.46%	3,066	143,066	143,066	1.00	2.35
2036	335,538	-	140,000	1.46%	1,022	141,022	141,022	1.00	2.38
		\$ 2,689,807	\$ 1,820,000		\$ 369,404	\$ 2,189,404	\$ 4,879,211		

AVERAGE (MATURITY) LIFE	13.9 YEARS
NET INTEREST RATE	1.460%
COST SAVING	\$4,379,000
AVERAGE ANNUAL REQUIREMENT	\$232,343

Angelina & Neches RA
Engineering and Environmental Review

Engineering:Key Issues

None known at this time.

Project Need / Description

Need: The Redland Estates Wastewater Treatment Plant originally provided wastewater treatment for the Redland Estates Subdivision. The plant has been out of service for approximately 20 years, which has allowed raw untreated sanitary sewer flows from existing homes to discharge directly into an unnamed tributary of the Angelina River. A Public Health Threat has been issued by both the Texas Commission on Environmental Quality and the Angelina County & Cities Health District.

Project Description: The Angelina & Neches River Authority is seeking construction phase funding for proposed wastewater collection system improvements that will provide first time sewer service to approximately 105 connections within the Angelina Fresh Water Supply District No. 1's service area including the Redland Estates subdivision and additional homes along the proposed sewer line route. The project will include elimination of existing on-site sewer facilities and will provide collection through a proposed sanitary sewer collection system with treatment being provided by the Angelina & Neches River Authority's North Angelina County Regional Wastewater Treatment Facility.

Project Schedule

Project Task	Schedule Date
Closing	5/1/2015
Start of Construction	11/30/2015
Construction Completion	11/30/2016

Environmental:Key Issues

None known at this time.

Environmental Summary

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude construction of the project. Based on this initial environmental review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect project implementation.

Angelina & Neches RA
Engineering and Environmental Review

Pursuant to the requirements of 31 Texas Administrative Code §375.61, all financial assistance shall be conditioned to read that funding for design costs for the proposed project will not be released until the environmental review has been completed and a favorable environmental determination has been issued by the Executive Administrator. A subsequent Affirmation of Commitment will be necessary for this loan in order to comply with the National Environmental Policy Act.

Angelina & Neches RA
73677 - Redland Estates & FWSD 1 Sewer Systems

Budget Items	Previous Commitments	This Commitment	TWDB Funds	Total Cost
Construction				
Construction	\$0	\$4,083,105	\$4,083,105	\$4,083,105
Construction Total	\$0	\$4,083,105	\$4,083,105	\$4,083,105
Basic Engineering Services				
Construction Engineering	\$0	\$85,400	\$85,400	\$85,400
Design	\$170,150	\$0	\$170,150	\$170,150
Planning	\$42,500	\$0	\$42,500	\$42,500
Basic Engineering Services Total	\$212,650	\$85,400	\$298,050	\$298,050
Special Services				
Environmental	\$35,000	\$0	\$35,000	\$35,000
Geotechnical	\$32,000	\$0	\$32,000	\$32,000
Inspection	\$0	\$33,800	\$33,800	\$33,800
Permits	\$0	\$15,500	\$15,500	\$15,500
Project Management - ANRA	\$0	\$300,000	\$300,000	\$300,000
Closing Plan for Redland Estates WWTP	\$12,500	\$0	\$12,500	\$12,500
Surveying	\$169,500	\$108,500	\$278,000	\$278,000
Testing	\$7,850	\$29,500	\$37,350	\$37,350
Water Conservation Plan	\$15,000	\$0	\$15,000	\$15,000
Special Services Total	\$271,850	\$487,300	\$759,150	\$759,150
Contingency				
Contingency	\$146,011	\$200,887	\$346,898	\$346,898
Contingency Total	\$146,011	\$200,887	\$346,898	\$346,898
Other				
Land/Easements Acquisition	\$0	\$45,000	\$45,000	\$45,000
Other Total	\$0	\$45,000	\$45,000	\$45,000
Fiscal Services				
Bond Counsel	\$14,404	\$20,000	\$34,404	\$34,404
Financial Advisor	\$25,000	\$37,500	\$62,500	\$62,500
Issuance Costs	\$374	\$4,000	\$4,374	\$4,374
Loan Origination Fee	\$3,724	\$33,058	\$36,782	\$36,782
Fiscal Services Total	\$43,502	\$94,558	\$138,060	\$138,060
Grand Total	\$674,013	\$4,996,250	\$5,670,263	\$5,670,263

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$4,996,250 TO ANGELINA AND NECHES RIVER AUTHORITY
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$1,820,000 ANGELINA AND NECHES RIVER AUTHORITY CONTRACT REVENUE
BONDS,
PROPOSED SERIES 2015
AND
\$3,176,250 IN LOAN FORGIVENESS

(14-)

WHEREAS, the Angelina and Neches River Authority, located in Angelina County, Texas (Authority) has filed an application for financial assistance in the amount of \$4,996,250 from the Clean Water State Revolving Fund (CWSRF) to finance the construction of certain wastewater system improvements identified as Project No. 73677; and

WHEREAS, the Authority seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$1,820,000 Angelina and Neches River Authority Contract Revenue Bonds, Proposed Series 2015 (together with all authorizing documents, ("Obligations")), and the execution of a Loan Forgiveness Agreement in an amount of \$3,176,250, all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the Authority has offered a pledge of contract revenues as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the Authority will be sufficient to meet all the Obligations assumed by the Authority, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;
3. that the Authority has adopted and implemented a water conservation program 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;
4. that the Authority has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007; and
5. that the Authority meets the definition of "Disadvantaged Community" in 31 TAC § 375.1(21) and is therefore eligible for low-interest loans through the CWSRF.

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

A commitment is made by the TWDB to the Angelina and Neches River Authority for financial assistance in the amount of \$4,996,250 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$1,820,000 Angelina and Neches River Authority Contract Revenue Bonds, Proposed Series 2015 and the execution of a Loan Forgiveness Agreement in the amount of \$3,176,250. This commitment will expire on January 31, 2016.

Such 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;
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 of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the Authority;
3. this commitment is contingent upon the Authority's compliance with all applicable requirements contained in 31 TAC Chapter 375;
4. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and 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;
5. the Authority, 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 Authority'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 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 such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Authority's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to such bonds under SEC Rule 15c2-12;
6. the Obligations must contain a provision requiring the Authority to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues 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;

7. the Obligations must include a provision requiring the Authority to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (3) eligible project costs as authorized by the Executive Administrator;
8. 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 shall be of no force and effect;
9. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall 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;
10. loan proceeds shall not be used by the Authority when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the Authority agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Authority, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
11. prior to closing, the Authority shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
12. prior to closing, and if not previously provided with the application, the Authority shall submit executed contracts for engineering, and, if applicable, financial advisor and bond counsel contracts, 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;
13. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the Authority shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;

14. the Executive Administrator may require that the Authority execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

Conditions Related To Tax-Exempt Status

15. the Authority'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 Authority when rendering this opinion;
16. the Authority'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 Authority when rendering this opinion;
17. the Obligations must include a provision prohibiting the Authority from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
18. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 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 the loan (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 such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such 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;
19. the Obligations must include a provision requiring the Authority 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 in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the Authority will:

- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The Authority may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the Authority, provided that the Authority separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The Authority shall maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
 - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
20. the Obligations must include a provision prohibiting the Authority from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
 21. the Obligations must provide that the Authority will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
 22. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the Authority's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
 23. the transcript must include evidence that the information reporting requirements of § 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 § 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;

24. the Obligations must provide that neither the Authority nor a related party thereto 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 Authority by the TWDB;

State Revolving Fund Conditions

25. the Authority shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
26. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall 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 Authority, all contractors, and all sub-contractors shall 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 financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
27. the Obligations must include a provision stating that the Authority shall 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 Authority shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
28. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the Authority will adhere to the approved project schedule;
29. the Obligations and Loan Forgiveness Agreement must contain a covenant that the Authority 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 the 2014 Federal Appropriations Act and related State Revolving Fund Policy Guidelines;

Clean Water State Revolving Fund Conditions

30. prior to or at closing, the Authority shall pay a 1.85% origination fee to the TWDB calculated pursuant 31 TAC Chapter 375;
31. at the TWDB's option, the TWDB may fund the financial assistance under this Resolution with either available cash-on-hand or from bond proceeds. 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;

32. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the Authority 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 For The Loan

33. upon request by the Executive Administrator, the Authority shall submit annual audits of contracting parties for the Executive Administrator's review;
34. the Obligations must contain a provision requiring the Authority to require its customers to maintain rates and charges sufficient to pay all of their revenue obligations arising from the operation of the water and sewer system;
35. the Obligations must contain a provision that the pledged contract revenues from the Authority may not be pledged to the payment of any additional parity obligations of the Authority secured by a pledge of the same contract revenues unless the Authority demonstrates to the Executive Administrator's satisfaction that the pledged contract revenues will be sufficient for the repayment of all Obligations and additional parity obligations;
36. prior to closing, the Authority must submit executed contracts between the Authority and the contracting parties regarding the contract revenues pledged to the payment of the Authority's Obligations, in form and substance acceptable to the Executive Administrator. Such contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges and collection of revenues sufficient to meet the Authority's debt service obligations and additional parity obligations;

PROVIDED, however, the commitment is subject to the following special conditions:

Special Conditions:

37. the Authority must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as a sale-transfer-merger with another retail public utility;
38. the Obligations must include a provision requiring that, prior to any action by the Authority to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB;

39. prior to closing, the Authority shall execute a Loan Forgiveness Agreement in a form and substance acceptable to the Executive Administrator; and
40. the Loan Forgiveness Agreement must include a provision stating that the Authority shall return any loan forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator.

APPROVED and ordered of record this 8th day of January, 2015.

TEXAS WATER DEVELOPMENT BOARD

Carlos Rubinstein, Chairman

DATE SIGNED: _____

ATTEST:

Kevin Patteson
Executive Administrator

WATER CONSERVATION REVIEW

Entity: _____ Review date: _____

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

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline				
5-year Goal				
10-year Goal				

WATER LOSS AUDIT YEAR:

Apparent loss (gallons): _____ Real loss (gallons): _____
 Produced water (gallons): _____ Total water loss (percent): _____
 Connections per mile: _____ Total water loss (GPCD): _____

If < 32 connections per mile, real loss (gallons) per mile per day: _____
(Average real loss for less than 32 connections is 1,154 gal/mile/day)

If > 32 connections per mile, real loss (gallons) per connection per day: _____
(Average real loss for greater than 32 connections is 47 gal/connection/day)

If > 16 connections per mile and > 3,000 connections
 Infrastructure Leakage Index (ILI): _____

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 formerly approved and adopted by the applicant's governing body.

Apparent loss refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

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.

GPCD means gallons per capita 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 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 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.

Produced water is the total amount of water purchased or produced by the utility.

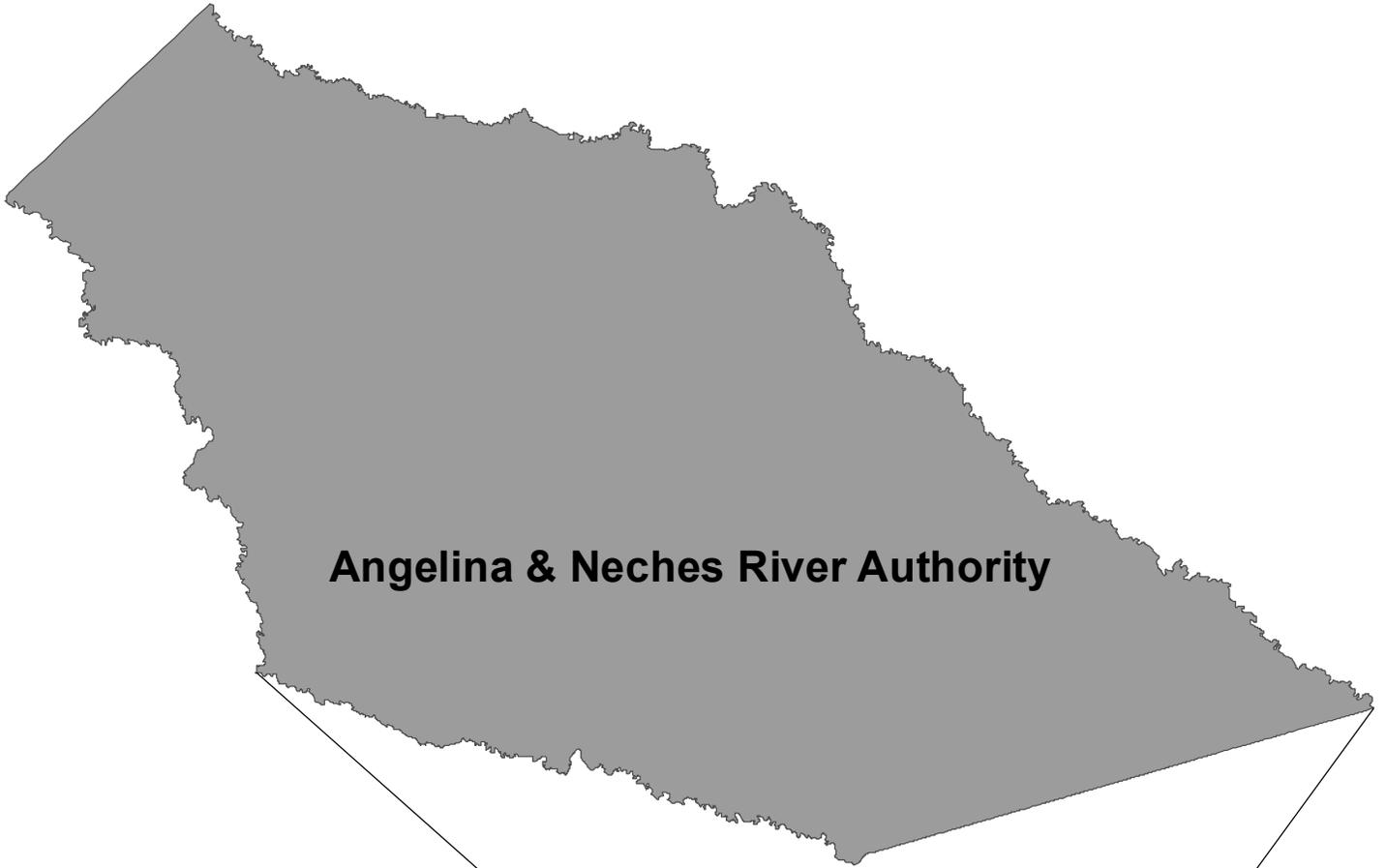
Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

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

**Angelina & Neches River Authority,
Angelina County**



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