

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: January 29, 2015

PRESENTED BY: Brenner Brown

APPLICANT	City of Cameron
TYPE OF ASSISTANCE	\$3,940,000 Loan \$548,700 Loan Forgiveness
LEGAL PLEDGE	Ad Valorem Tax and Surplus Net Revenues of the Water and Wastewater System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the **City of Cameron (Milam County)** for a) a \$3,940,000 loan and \$548,700 in loan forgiveness from the Drinking Water State Revolving Fund for planning, acquisition and design for water system improvements; and b) a waiver of the requirement for consistency with the Regional and State Water Plan.

PROJECT

Phase 1 Water System Improvements
Project Number 62659

FINANCIAL SUMMARY

Risk Score:	2B
Pledge for Repayment:	Tax and System Revenues
Proposed Repayment Method:	System Revenues
Average Monthly Water and Wastewater Bill:	\$58.11
Assessed Value Trend:	Increasing
Operating Trends:	Increasing
Population:	Decreasing
Median Household Income:	Increasing
Revenue Coverage (First 5 Years):	1.1 – 1.13x

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE ON JULY 31, 2015

FINANCIAL

Key Issues

None.

Pledge and Repayment

The City of Cameron (City) is pledging ad valorem taxes and surplus system revenues for the repayment of the proposed loan. The City intends to utilize system revenues and not increase the existing tax rate for the repayment of the proposed debt.

Utilizing a no-growth scenario, the City will need to increase rates by \$1.24 in 2015 and \$6.56 in 2016, and \$0.29 in 2017 for the repayment of the current and proposed debt service. This is a total rate increase of \$8.09 over 3 years.

Principal Forgiveness

The District qualifies for \$548,700 in loan forgiveness for Disadvantaged Communities per the 2015 Intended Use Plan.

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$808,616 over the life of the loan and \$887,336 in forgiveness subsidies by utilizing Texas Water Development Board (TWDB) funding.

Internal Risk Score

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

The City's population decreased at an average annual rate of .12% from 2000 to 2012, compared to a rate 1.88% for the State overall during the same period. The City's median household income was \$37,482 in 2012, and is 73% of the median for the State overall. In September 2014, the unemployment rate in the City was 6.0% compared to 5.0% in the State overall. In the City 21.6% of the individuals are below the poverty level, compared to 24.3% in the State overall.

The City's current per capita debt level is \$911, and would increase to \$1,722 with the proposed debt. This is low for overall debt. The average water and wastewater bill of \$58.11 monthly represents 1.86% of the median household income, which is lower than the 2% benchmark for assessing affordability of rates for both services.

The City's socioeconomic indicators are moderately weak. The population trend is a slight decline, the median household income is moderately low, and the unemployment rate is slightly above the State overall. However, the City's poverty rate is moderately low, debt level is low, system rates are affordable, and only a moderate rate increase of approximately 16% over the next 3 years is needed for the existing and proposed debt service. Based on these outcomes for the financial and socioeconomic indicators, staff assigns the City a risk score of 2B at this time.

LEGAL

Key Issues

The City has submitted a request for a waiver of consistency with the Region and State Water Plans. Region G has issued a letter in support of this request.

CONDITIONS

Standard Drinking Water State Revolving Fund, tax-exempt, tax and surplus revenue conditions, and further conditioned as follows:

- Water rights certification;
- Return of surplus funds; and
- Executed loan forgiveness agreement.

- Attachments:
1. Project Data Summary
 2. Debt Service
 3. Engineering/Environmental Review
 4. Project Budget
 5. Resolution (15-)
 6. Water Conservation Review
 7. Location Map
 8. Letter Requesting Waiver
 9. Letter from Brazos G Regional Planning Group

Project Data Summary

Authority	City of Cameron
Program	Drinking Water State Revolving Fund
Commitment Code	L1000378/ LF1000387
Project Number	62659
Intended Use Plan Year	2015
Fund Number	951
Type of Pledge	3- Combo Tax and Rev
Revenue Pledge Level	Third
Legal Description	\$3,940,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015; \$548,700 Loan Forgiveness
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	5,552
Rural	Yes
Water Connections	2,100
Wastewater Connections	2,100
Qualifies as Disadvantaged	Yes
Disadvantaged Level	6
Clean Water State Revolving Fund Type	N/A
Financial Managerial & Technical Complete	N/A
Funding Phase Code	Planning, Acquisition, and Design
Pre-Design	No
Project Consistent with Water Plan	No
Water Conservation Plan	Adopted
Water Rights Certification Required	Yes
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

Team Manager	Brenner Brown
Financial Analyst	Dain Larsen
Engineering Reviewer	Jesse Milonovich
Environmental Reviewer	Chris Caran
Attorney	Joe Reynolds

ISSUE BEING EVALUATED
City of Cameron
\$3,940,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015

Dated Date 04/01/15
 Delivery Date 04/01/15
 First Interest 08/01/15
 First Principal 02/01/16
 Last Principal 02/01/45
 Fiscal Year End 9/30

Source: DWSRF
 Rate: 2.28%
 Insurance: N
 Case: Tax and surplus revenues
 Admin. Fee Payment Date: 4/1/2015
 Administrative Fee: \$86,699

FOR ILLUSTRATION PURPOSES ONLY

FISCAL YEAR	PROJECTED ASSESSED VALUE	EXISTING TAX RATE	REQUIRED TAX REVENUES WITH COLL. @ 90%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	----- THIS \$3,940,000 ISSUE -----				TOTAL DEBT SERVICE	COVERAGE BEING REQUIRED	ACTUAL COVERAGE	
							PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT				
2015	172,807,707	0.276	428,632	133,514	562,146	481,098	-		29,944	29,944	511,042	1.10	1.10	
2016	172,807,707	0.276	428,632	299,613	728,245	478,395	95,000	2.28%	88,749	183,749	662,144	1.10	1.10	
2017	172,807,707	0.276	428,632	306,956	735,588	487,043	95,000	2.28%	86,583	181,583	668,626	1.10	1.10	
2018	172,807,707	0.276	428,632	306,956	735,588	476,551	95,000	2.28%	84,417	179,417	655,968	1.10	1.12	
2019	172,807,707	0.276	428,632	306,956	735,588	469,401	100,000	2.28%	82,194	182,194	651,595	1.10	1.13	
2020	172,807,707	0.276	428,632	306,956	735,588	468,183	100,000	2.28%	79,914	179,914	648,097	1.10	1.13	
2021	172,807,707	0.276	428,632	306,956	735,588	472,125	105,000	2.28%	77,577	182,577	654,702	1.10	1.12	
2022	172,807,707	0.276	428,632	306,956	735,588	476,123	105,000	2.28%	75,183	180,183	656,306	1.10	1.12	
2023	172,807,707	0.276	428,632	306,956	735,588	483,077	110,000	2.28%	72,732	182,732	665,809	1.10	1.10	
2024	172,807,707	0.276	428,632	306,956	735,588	401,907	110,000	2.28%	70,224	180,224	582,131	1.10	1.26	
2025	172,807,707	0.276	428,632	306,956	735,588	214,471	115,000	2.28%	67,659	182,659	397,130	1.10	1.85	
2026	172,807,707	0.276	428,632	306,956	735,588	215,170	115,000	2.28%	65,037	180,037	395,207	1.10	1.86	
2027	172,807,707	0.276	428,632	306,956	735,588	216,538	120,000	2.28%	62,358	182,358	398,896	1.10	1.84	
2028	172,807,707	0.276	428,632	306,956	735,588	216,605	120,000	2.28%	59,622	179,622	396,227	1.10	1.86	
2029	172,807,707	0.276	428,632	306,956	735,588	217,373	125,000	2.28%	56,829	181,829	399,202	1.10	1.84	
2030	172,807,707	0.276	428,632	306,956	735,588	212,895	125,000	2.28%	53,979	178,979	391,874	1.10	1.88	
2031	172,807,707	0.276	428,632	306,956	735,588	222,029	130,000	2.28%	51,072	181,072	403,101	1.10	1.82	
2032	172,807,707	0.276	428,632	306,956	735,588	221,681	135,000	2.28%	48,051	183,051	404,732	1.10	1.82	
2033	172,807,707	0.276	428,632	306,956	735,588	54,849	135,000	2.28%	44,973	179,973	234,822	1.10	3.13	
2034	172,807,707	0.276	428,632	306,956	735,588	28,331	140,000	2.28%	41,838	181,838	210,169	1.10	3.50	
2035	172,807,707	0.276	428,632	306,956	735,588	28,415	145,000	2.28%	38,589	183,589	212,004	1.10	3.47	
2036	172,807,707	0.276	428,632	306,956	735,588	28,451	145,000	2.28%	35,283	180,283	208,734	1.10	3.52	
2037	172,807,707	0.276	428,632	306,956	735,588	28,440	150,000	2.28%	31,920	181,920	210,360	1.10	3.50	
2038	172,807,707	0.276	428,632	306,956	735,588	29,359	155,000	2.28%	28,443	183,443	212,802	1.10	3.46	
2039	172,807,707	0.276	428,632	306,956	735,588	28,231	155,000	2.28%	24,909	179,909	208,140	1.10	3.53	
2040	172,807,707	0.276	428,632	306,956	735,588	28,080	160,000	2.28%	21,318	181,318	209,398	1.10	3.51	
2041	172,807,707	0.276	428,632	306,956	735,588	27,881	165,000	2.28%	17,613	182,613	210,494	1.10	3.49	
2042	172,807,707	0.276	428,632	306,956	735,588	27,635	165,000	2.28%	13,851	178,851	206,486	1.10	3.56	
2043	172,807,707	0.276	428,632	306,956	735,588	-	170,000	2.28%	10,032	180,032	180,032	1.10	4.09	
2044	172,807,707	0.276	428,632	306,956	735,588	-	175,000	2.28%	6,099	181,099	181,099	1.10	4.06	
2045	172,807,707	0.276	428,632	306,956	735,588	-	180,000	2.28%	2,052	182,052	182,052	1.10	4.04	
							\$ 22,622,444	\$ 6,740,337	\$ 3,940,000			\$ 1,529,044	\$ 5,469,044	\$ 12,209,381

AVERAGE (MATURITY) LIFE	17.02 YEARS
NET INTEREST RATE	2.280%
COST SAVINGS	\$1,695,952
AVERAGE ANNUAL REQUIREMENT	\$393,851

Cameron

Engineering and Environmental Review

Engineering:

Key Issues

This project is not included as a water management strategy in the 2011 Regional Water Plan and the 2012 State Water Plan and constitutes a new source of supply. Therefore, the project is not consistent with the water plans. The City has submitted a request for waiver in determination of consistency. Region G Regional Water Planning Group has issued a letter in support of the City's request for a waiver of the requirement of consistency with the Regional and State Water Plan.

Project Need / Description

Need: The City currently relies on a single source for their water supply, which is the Little River. The City has determined that this single source is unreliable due to erosion and risk of contamination. Also, the City's water system is aged and in need of rehabilitation.

Project Description: The City proposes to convert from surface water to groundwater by developing a new well field, constructing a ground storage tank at the new well field, constructing a raw water pump station and transmission line from new well field to existing ground storage tanks at existing high service pump station. Also, the City proposes to rehabilitate their existing high service pump station and existing ground storage tanks, and construct a new utilities service center building.

Project Schedule

Project Task	Schedule Date
Closing	4/01/2015
Engineering Feasibility Report Completion (End of Planning Phase)	8/31/2015
Design Phase Complete	8/31/2015

Planning, acquisition and design only

Environmental:

Key Issues

None known at this time.

Environmental Summary

Pursuant to the requirements of 31 Texas Administrative Code (TAC) §371.41, all financial assistance shall be conditioned to read that funding for acquisition and design of specific project elements will not be released until the environmental review is complete and a favorable environmental determination has been issued. A subsequent affirmation of commitment will be necessary for the proposed project to be in compliance with the National Environmental Policy Act.

Cameron
62659 - Phase I Water System Improvements

Budget Items	TWDB Funds	Total Cost
Basic Engineering Services		
Design	\$339,200	\$339,200
Planning	\$165,300	\$165,300
Basic Engineering Services Total	\$504,500	\$504,500
Special Services		
Environmental	\$50,000	\$50,000
Geotechnical	\$7,500	\$7,500
Permits	\$15,000	\$15,000
Test Wells	\$500,000	\$500,000
Surveying	\$87,000	\$87,000
Special Services Total	\$659,500	\$659,500
Contingency		
Contingency	\$313,001	\$313,001
Contingency Total	\$313,001	\$313,001
Other		
Land/Easements Acquisition	\$2,800,000	\$2,800,000
Hydrologist	\$20,000	\$20,000
Traffic Control Plan	\$5,000	\$5,000
Other Total	\$2,825,000	\$2,825,000
Fiscal Services		
Bond Counsel	\$40,000	\$40,000
Financial Advisor	\$60,000	\$60,000
Loan Origination Fee	\$86,699	\$86,699
Fiscal Services Total	\$186,699	\$186,699
Grand Total	\$4,488,700	\$4,488,700

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$4,488,700 TO CITY OF CAMERON
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$3,940,000 CITY OF CAMERON, TEXAS COMBINATION TAX AND
SURPLUS REVENUE CERTIFICATES OF OBLIGATION,
PROPOSED SERIES 2015 AND
\$548,700 IN LOAN FORGIVENESS

(15-)

WHEREAS, the City of Cameron, located in Milam County, Texas (City) has filed an application for financial assistance in the amount of \$4,488,700 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, acquisition, and design of certain water system improvements identified as Project No. 62659; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$3,940,000 City of Cameron, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015 (together with all authorizing documents (Obligations)), and the execution of a Loan Forgiveness Agreement in an amount of \$548,700, all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the City has offered a pledge of taxes and surplus net system revenues as sufficient security for the repayment of the Obligations; and

WHEREAS, the City is requesting a waiver of the requirement that the project be addressed in a manner that is consistent with the state and regional water plans because of the reduced reliability of its surface water supply and the need for a consistent water source. The project has received the support of Regional Water Planning Region G;

WHEREAS, the TWDB hereby finds:

1. that the revenue and/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. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* as well as state law, in accordance with Texas Water Code § 15.607;
3. that 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;

4. that the conditions, as described above, warrant a waiver of the requirements that the TWDB determine that the needs to be addressed by the project will be addressed in a manner that is consistent with the State Water Plan, and with the approved Regional Water Plan that includes the area that will benefit from the proposed project;
5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.053(j);
6. that the City meets the definition of Disadvantaged Community in 31 TAC § 371.1(24) and is therefore eligible for subsidy through the DWSRF; and
7. that the conditions, as described above, warrant a waiver of the requirements that the TWDB determine that the needs to be addressed by the project will be addressed in a manner that is consistent with the State Water Plan, and with the approved Regional Water Plan that includes the area that will benefit from the proposed project.

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

1. for the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.053(j), pursuant to Texas Water Code § 16.053(k); and
2. a commitment is made by the TWDB to the City of Cameron for financial assistance in the amount of \$4,488,700 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$3,940,000 City of Cameron, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015, and the execution of a Loan Forgiveness Agreement in the amount of \$548,700. This commitment will expire on July 31, 2015.

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 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 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 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 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 City's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to such bonds under SEC Rule 15c2-12;
6. the Obligations must contain a provision requiring the City 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 City 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 City 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 City 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 City, 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 City 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 City 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 City 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 City execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
15. the TWDB retains the option to purchase the Obligations in separate lots and/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;

Conditions Related To Tax-Exempt Status

16. 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;
17. 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;
18. the Obligations must include a provision prohibiting the City 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);
19. 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;
20. 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 in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the City 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 City may, however, to the extent permitted by law, commingle Gross Proceeds of its Loan with other money of the City, provided that the City 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 City 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;

21. 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;
22. 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 § 149(b) of the Code;
23. 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;
24. 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;
25. the Obligations must provide that neither the City 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 City by the TWDB;

State Revolving Fund Conditions

26. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
27. 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 City, 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;
28. the Obligations must include a provision stating that the City 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 City 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;

29. 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 City will adhere to the approved project schedule;
30. The Obligations 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 the 2014 Federal Appropriations Act and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions

31. prior to or at closing, the City shall pay a 2.25% origination fee to the TWDB calculated pursuant to 31 TAC Chapter 371;
32. prior to 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;
33. prior to 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 for the Loan

34. 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 shall not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until such time as 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;

the Obligations must include a requirement that for each year the Obligations are outstanding, and prior to the time taxes are to be levied for such year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Obligations; and

- ii. the Obligations must include a requirement that the City shall 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 such Obligations, or the City shall 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;

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

Special Conditions:

35. prior to the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must either issue a written finding that the City has the right to use the water that the project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction;
36. prior to the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the City has the right to use the water that the project financed by the TWDB will provide;

37. prior to closing, the City shall adopt and implement the water conservation program approved by the TWDB;
38. prior to closing, the City shall execute a Loan Forgiveness Agreement in a form and substance acceptable to the Executive Administrator; and
39. the Loan Forgiveness Agreement must include a provision stating that the City 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 29th 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 benchmarking 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.

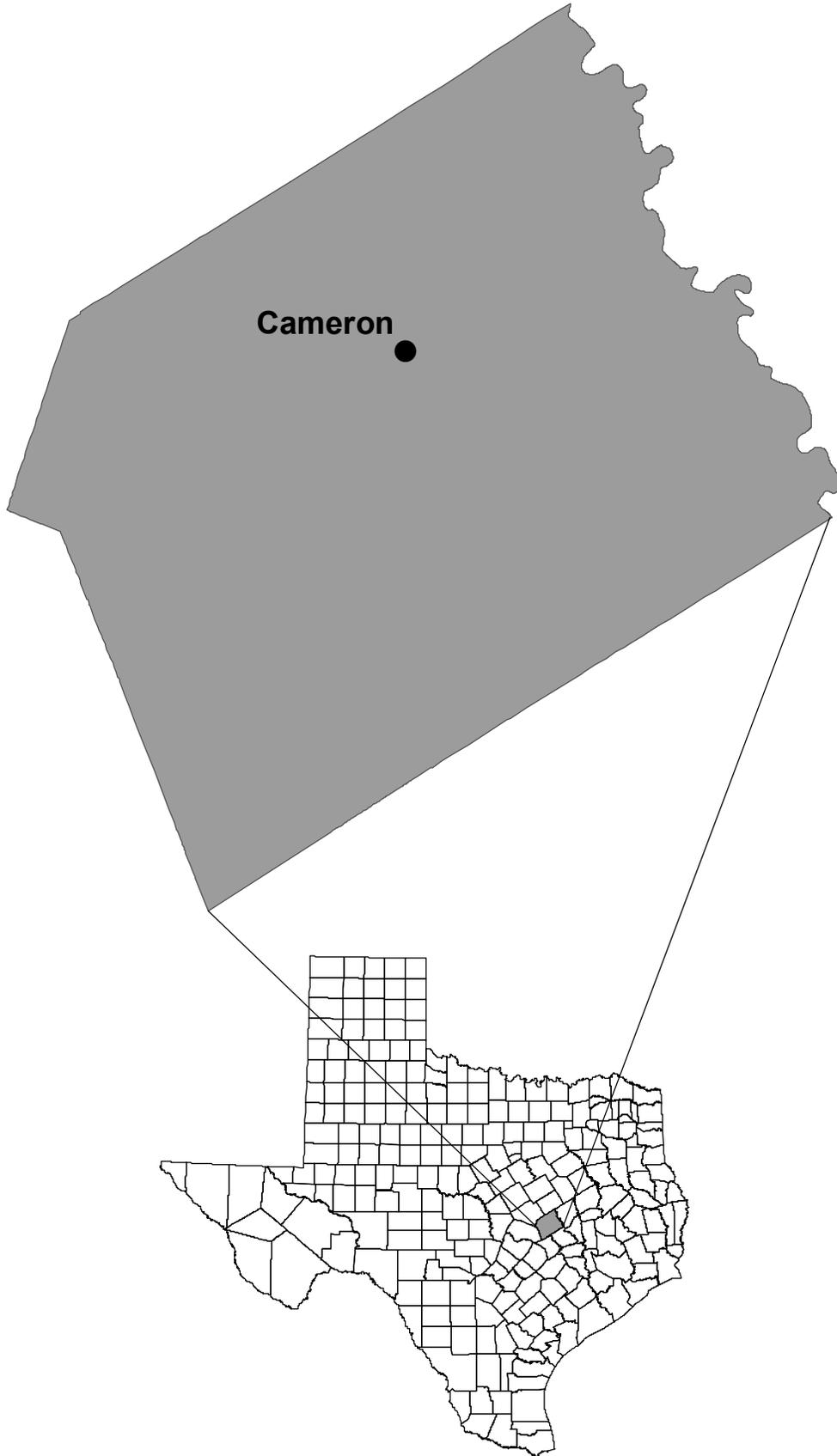
Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

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.

City of Cameron, Milam County





CITY OF CAMERON

100 S. Houston Avenue, P. O. Box 833
Cameron, Texas 76520

254-697-6646
254-697-3040 Fax

October 28, 2014

Mr. Kevin Patteson, Executive Administrator
Texas Water Development Board
PO Box 13231
Austin, TX 78711-3231

**Re: City of Cameron
Consistency Waiver Request from Texas Water Development Board**

Dear Mr. Patteson:

The City of Cameron has made an application for funding for a water supply project to the Texas Water Development Board through the Drinking Water State Revolving Fund (DWSRF) Loan Program. The proposed water supply project will include converting the City from a surface water supply to a groundwater supply. The 2011 Brazos G Regional Water Plan (RWP) does not recommend any changes in the City's current water supply; therefore, the proposed conversion to a groundwater supply is not in strict compliance with the 2011 Brazos G RWP and will require the approval of a consistency waiver from the TWDB.

The City currently has run-of-the-river rights on the Little River (Segment No. 1213) in the Brazos River Basin and this is the only water source used by the City to produce drinking water for citizens. The area where the City withdraws water from the Little River to treat and produce drinking water has formed a naturally occurring oxbow as shown on the aerial map enclosed with this letter. The Little River will eventually erode the oxbow neck and create a U-shaped oxbow lake. When the erosion creates the oxbow lake, this will eliminate the City's only water source unless action is taken before the river naturally changes its course. The City currently owns and operates a surface water treatment plant that was originally constructed in 1958. The overall condition of the existing treatment plant is extremely deteriorated and the City has been deficient in meeting Texas Commission on Environmental Quality (TCEQ) regulations as documented in a 2012 mandatory Comprehensive Performance Evaluation (mCPE) of the plant prepared by the TCEQ.

Due to the oxbow in the Little River, the deteriorated condition of the City's surface water treatment plant, deficiencies related TCEQ regulations, and concerns related to drought and possible contamination of the Little River, the City is very concerned about the reliability of the current surface water supply. The results of two (2) separate engineering reports have concluded that groundwater is the most cost-effective and reliable water supply for the City.

The City and our engineers have also been in contact with the Post Oak Savannah Groundwater Conservation District (POSGCD) to ensure cooperation and compliance with the District and to also

investigate the availability of groundwater in the area. The City is proposing to establish a well field that will include 8 to 10 wells with each well having an estimated production capacity of 150 gpm to 200 gpm. Based on information from our engineer (O'Malley Engineers, LLP) and groundwater hydrologist (Thornhill Group, Inc), the City has been advised that there is a sufficient amount of groundwater for the proposed well field and it will be capable of meeting the long-term water demands of the City. Also, we do not anticipate any compliance issues with the management plan and regulations of the POSGCD as the proposed well field is implemented and used for the City's drinking water supply.

Based on the above, the City of Cameron respectfully requests a consistency waiver from the current 2011 Brazos G RWP to allow for the conversion to a groundwater supply. The transition to a groundwater supply may not occur rapidly because of the time related to obtaining ground water rights and/or leases. The availability of enough groundwater rights and/or leases may also preclude the City from converting totally to groundwater. Therefore, the City would like to keep their surface water supply in the Brazos G RWP for the purpose of conjunctive use with their future groundwater supply if the need arises. The City believes the consistency waiver is justified because it is the most responsible, long-term choice for the citizens of Cameron since converting to groundwater is the most cost-effective and reliable option when compared to relying solely on surface water.

The City of Cameron truly appreciates the consideration of the TWDB on our waiver request. Please do not hesitate to contact me directly at (254) 697-6646 or the City's engineer at (979) 836-7937 (Craig Kankel, P.E. or Timothy W. Robertson, P.E. with O'Malley Engineers, LLP).

Sincerely,

City of Cameron



Rhett Parker
City Manager

Enclosures

cc:

Lann Bookout, Project Manager
Regional Water Planning
Texas Water Development Board
PO Box 13231
Austin, TX 78711

Gary Westbrook, Manager
Post Oak Savannah Groundwater Conservation District
PO Box 92
Milano, TX 76556

Trey Buzbee
Brazos River Authority
PO Box 7555
Waco, TX 76714

David Dunn, P.E.
HDR, Inc.
4401 West Gate Boulevard, Ste. 400
Austin, TX 78745

Brazos G RWPG Members



Figure 1: Aerial Photograph of Oxbow in Little River

BRAZOS G

WATER PLANNING GROUP

VOTING MEMBERS

Wayne Wilson, Chair
 Gail Peek, Vice-Chair
 Phillip J. Ford,
 Secretary/Treasurer
 Dale Adams
 Charles Beseda
 David Blackburn
 Tim Brown
 Joe B. Cooper III
 Alva Cox
 Travis Floyd
 Larry Groth
 Zach Holland
 Kelly Kinard
 Mike McGuire
 Gary Newman
 Tommy O. O'Brien
 Judy Parker
 Dale Spurgin
 Mike Sutherland
 Kevin Wagner
 Gary Westbrook

COUNTIES

Bell
 Bosque
 Brazos
 Burleson
 Callahan
 Comanche
 Coryell
 Eastland
 Erath
 Falls
 Fisher
 Grimes
 Hamilton
 Haskell
 Hill
 Hood
 Johnson
 Jones
 Kent
 Knox
 Lampasas
 Lee
 Limestone
 McLennan
 Milam
 Nolan
 Palo Pinto
 Robertson
 Shackelford
 Somervell
 Stephens
 Stonewall
 Taylor
 Throckmorton
 Washington
 Williamson
 Young

BRAZOS RIVER AUTHORITY, Administrative Agent
 P.O. Box 7555 ∪ Waco, Texas 76714-7555
 (254) 761-3100 ∪ Fax (254) 761-3204

January 7, 2015

Mr. Lann Bookout
 Brazos G Project Manager
 Texas Water Development Board
 1700 North Congress Avenue
 P.O. Box 13231
 Austin, Texas 78711-3231

Re: Consistency Waiver Request – City of Cameron

Dear Lann:

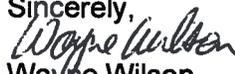
The City of Cameron (Cameron) submitted a letter to the Brazos G Regional Water Planning Group (Brazos G) dated October 28, 2014 requesting support of a consistency waiver to the 2011 Brazos G Regional Water Plan (2011 Brazos G Plan) for a water supply project that will transition Cameron from a surface water supply to a groundwater supply, with the potential for conjunctive use of Little River surface water supplies with local groundwater supplies in Milam County.

Brazos G met on December 3, 2014 and approved support of Cameron's consistency waiver request to the 2011 Brazos G Plan. The resolution adopted by Brazos G supporting this waiver request, Cameron's request letter, and related presentation to Brazos G are enclosed.

Utilization of groundwater supplies in Milam County, along with conjunctive use of surface and groundwater supplies, is a recommended strategy in the 2011 Brazos G Plan. Although groundwater development and the potential for conjunctive use is not specifically recommended as a water management strategy for Cameron, Brazos G believes that use of groundwater in Milam County will not be a material deviation from the 2011 Brazos G Plan. Therefore, Brazos G supports TWDB granting a waiver of consistency, as requested by the City of Cameron.

Please feel free to contact me if you have any questions regarding this matter.

Sincerely,


 Wayne Wilson

Chair, Brazos G Regional Water Planning Group

Enclosures

cc: Rhett Parker, City Manager
 City of Cameron
 P. O. Box 833,
 Cameron, Texas 76520

**RESOLUTION OF THE
BRAZOS G WATER PLANNING GROUP**

“BE IT HEREBY RESOLVED that the Brazos G Regional Water Planning Group will submit a letter of support to the Texas Water Development Board on the behalf of the City of Cameron’s request for a consistency waiver to the 2011 Brazos G Regional Water Plan for a water supply project that will transition Cameron from a surface water supply to a groundwater supply, with the potential for conjunctive use of Little River surface water supplies with local groundwater supplies in Milam County.”

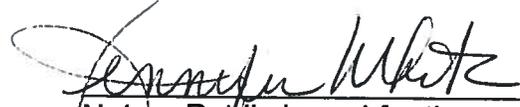
The aforementioned resolution was approved by the Brazos G Water Planning Group on December 3, 2014, to certify which witness my hand and seal.



Wayne Wilson
Chairman

SUBSCRIBED AND SWORN TO BEFORE ME on this the 7 day of January, 2015, to certify which witness my hand and official seal.





Notary Public in and for the
State of Texas