

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: January 29, 2015

TEAM MANAGER: Nancy Richards

APPLICANT	City of Houston
TYPE OF ASSISTANCE	\$63,435,000 Loan
LEGAL PLEDGE	Parity Lien Revenue with debt issued under the Master Ordinance

STAFF RECOMMENDATION

Approve No Action

Approve, by resolution, a request from the **City of Houston (Harris County)** for a \$63,435,000 loan from the Clean Water State Revolving Fund to provide construction funding for wastewater system improvements, utilizing the pre-design funding option.

PROJECT

Collection System Rehabilitation SFY 2015
Project Number 73702

FINANCIAL SUMMARY

Risk Score:	2A
Pledge for Repayment:	Parity Lien Revenues
Proposed Repayment Method:	Utility System Revenues
Operating Trends:	Positive
Assessed Valuation Trend:	Increasing
Rate Increase Needed:	No

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

FINANCIAL

Key Issues

The City is presently pursuing \$27,370,000 loan commitment from the Drinking Water State Revolving Program in addition to the Clean Water commitment.

Pledge and Repayment

The City of Houston (City) is pledging a parity lien on the net revenues of the combined utility system as outlined in the Master Ordinance. The Master Ordinance requires the City to maintain and collect rates that will produce net revenues at least equal to the greater of: (1) 1.20 times coverage of the maximum annual principal and interest requirements of all first lien bonds and any previous ordinance bonds; or (2) 1.10 times coverage of the maximum annual principal and interest requirements on all first lien bonds, second lien bonds, and any previous ordinance bonds.

The City currently has a Clean Water loan commitment totaling \$55,005,000. The loan is expected to close January 29, 2015. The attached debt service schedule reflects the impact of the issuance of the current commitment and the proposed funding request. The City's existing user rates are sufficient to fund the existing and proposed debt service in accordance with the requirements of the Master Ordinance.

Staff's analysis is based on documentation received and an estimated Clean Water State Revolving Fund tax-exempt interest rate and a 30-year maturity schedule.

Reserve Fund

The Master Ordinance requires a reserve fund amount equal to the maximum annual debt service. Historically, the City has funded the reserve fund with the purchase of surety bonds; however, at this time, there are no guarantors on the TWDB Approved Guarantors List. As such, the City is requesting \$1,751,430 in bond proceeds to fund the reserve.

Cost Savings

Based on a 30-year maturity schedule, current interest rates, the City could save approximately \$10,000,000 over the life of the loan.

Internal Risk Score

The City's repayment capacity is strong. The City remains in good financial condition. As the fourth largest city in the United States, the City is expanding its economic base to include not only historical energy sectors but also medical, manufacturing and retail industries. The median household income of the City is in line with the state average as is the unemployment rate. On average, the residential user pays 1.84% of their annual income for water and sewer services. This is below the TWDB's benchmark of 2% for two services. The City's assessed valuation has increased by 11% in fiscal year 2013. Staff has assigned a 2A risk rating to the proposed project. The risk score is the analyst's analysis of the City's economic indicators and strong management policies of the City.

LEGAL

Key Issues

None.

CONDITIONS

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

- Useful life Condition; and
- Standard Emergency Discovery.

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	City of Houston
Program	Clean Water State Revolving Fund
Commitment Code	L1000382
Project Number	73702
Intended Use Plan Year	2015
Fund Number	651
Type of Pledge	2
Revenue Pledge Level	First
Legal Description	\$63,435,000 Combined Utility System Revenue Bonds, Proposed Series 2016A
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay= Escrow Release
Population	2,195,914
Rural	No
Water Connections	450,315
Wastewater Connections	433,771
Qualifies as Disadvantaged	9
Disadvantaged Level	N/A
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	2A
External Ratings (for SRF rates)	
Standard and Poor's	AA
Moody's	Aa2
Fitch	AA-
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
City of Houston**

1ST ISSUE

\$63,435,000 Combined Utility System Revenue Bonds Proposed Series 2016A

Dated Date	01/15/16	Source: SRF
Delivery Date	01/15/16	Rate: 1.13%
First Interest	06/30/16	Insurance: No
First Principal	06/30/16	Case: Revenue Only
Last Principal	06/30/45	Admin. Fee Payment Date: 1/15/2016
Fiscal Year End	6/30	Administrative Fee: \$1,152,231

2ND ISSUE

\$27,370,000 Combined Utility System Revenue Bonds Proposed Series 2016B

Dated Date	01/15/16	Source: DWSRF
Delivery Date	01/15/16	Rate: 1.43%
First Interest	06/30/16	Insurance: No
First Principal	06/30/16	Case:
Last Principal	06/30/45	Admin. Fee Payment Date: 1/15/2016
Fiscal Year End	6/30	Administrative Fee: \$602,274

FOR ILLUSTRATION PURPOSES ONLY

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT* DEBT SERVICE	-----\$63,435,000 1ST ISSUE-----				-----\$27,370,000 2ND ISSUE-----				TOTAL DEBT SERVICE	COVERAGE BEING REQUIRED	ACTUAL COVERAGE	
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT				
2017	573,407,693	408,367,724	1,790,000	1.13%	676,835	2,466,835	735,000	1.43%	369,828	1,104,828	411,939,386	1.25	1.39	
2018	573,407,693	417,950,647	1,810,000	1.13%	686,362	2,496,362	750,000	1.43%	375,518	1,125,518	421,572,527	1.25	1.36	
2019	573,407,693	420,150,471	1,830,000	1.13%	665,796	2,495,796	760,000	1.43%	364,722	1,124,722	423,770,989	1.25	1.35	
2020	573,407,693	422,552,088	1,850,000	1.13%	645,004	2,495,004	770,000	1.43%	353,782	1,123,782	426,170,874	1.25	1.35	
2021	573,407,693	399,159,825	1,870,000	1.13%	623,986	2,493,986	780,000	1.43%	342,700	1,122,700	402,776,511	1.25	1.42	
2022	573,407,693	403,539,277	1,890,000	1.13%	602,742	2,492,742	790,000	1.43%	331,474	1,121,474	407,153,493	1.25	1.41	
2023	573,407,693	410,475,402	1,915,000	1.13%	581,244	2,496,244	805,000	1.43%	320,070	1,125,070	414,096,716	1.25	1.38	
2024	573,407,693	409,285,435	1,935,000	1.13%	559,491	2,494,491	815,000	1.43%	308,487	1,123,487	412,903,413	1.25	1.39	
2025	573,407,693	307,664,886	1,955,000	1.13%	537,513	2,492,513	825,000	1.43%	296,761	1,121,761	311,279,160	1.25	1.84	
2026	573,407,693	408,900,998	1,980,000	1.13%	515,280	2,495,280	835,000	1.43%	284,892	1,119,892	412,516,170	1.25	1.39	
2027	573,407,693	423,944,145	2,000,000	1.13%	492,793	2,492,793	850,000	1.43%	272,844	1,122,844	427,559,782	1.25	1.34	
2028	573,407,693	410,246,985	2,025,000	1.13%	470,052	2,495,052	860,000	1.43%	260,618	1,120,618	413,862,654	1.25	1.39	
2029	573,407,693	408,745,134	2,045,000	1.13%	447,056	2,492,056	875,000	1.43%	248,212	1,123,212	412,360,403	1.25	1.39	
2030	573,407,693	392,590,139	2,070,000	1.13%	423,807	2,493,807	885,000	1.43%	235,628	1,120,628	396,204,574	1.25	1.45	
2031	573,407,693	436,622,523	2,095,000	1.13%	400,274	2,495,274	900,000	1.43%	222,866	1,122,866	440,240,663	1.25	1.30	
2032	573,407,693	436,758,530	2,115,000	1.13%	376,488	2,491,488	910,000	1.43%	209,924	1,119,924	440,369,942	1.25	1.30	
2033	573,407,693	438,006,749	2,140,000	1.13%	352,447	2,492,447	925,000	1.43%	196,804	1,121,804	441,621,000	1.25	1.30	
2034	573,407,693	437,674,936	2,165,000	1.13%	328,124	2,493,124	940,000	1.43%	183,469	1,123,469	441,291,529	1.25	1.30	
2035	573,407,693	438,462,558	2,190,000	1.13%	303,518	2,493,518	950,000	1.43%	169,956	1,119,956	442,076,032	1.25	1.30	
2036	573,407,693	248,408,669	2,215,000	1.13%	278,630	2,493,630	965,000	1.43%	156,263	1,121,263	252,023,562	1.25	2.28	
2037	573,407,693	248,508,094	2,240,000	1.13%	253,459	2,493,459	980,000	1.43%	142,357	1,122,357	252,123,910	1.25	2.27	
2038	573,407,693	225,828,600	2,265,000	1.13%	228,006	2,493,006	995,000	1.43%	128,235	1,123,235	229,444,841	1.25	2.50	
2039	573,407,693	140,027,633	2,290,000	1.13%	202,270	2,492,270	1,005,000	1.43%	113,935	1,118,935	143,638,838	1.25	3.99	
2040	573,407,693	134,402,113	2,315,000	1.13%	176,252	2,491,252	1,020,000	1.43%	99,457	1,119,457	138,012,821	1.25	4.15	
2041	573,407,693	65,228,316	2,340,000	1.13%	149,951	2,489,951	1,035,000	1.43%	84,763	1,119,763	68,838,030	1.25	8.33	
2042	573,407,693	64,599,196	2,370,000	1.13%	123,340	2,493,340	1,050,000	1.43%	69,856	1,119,856	68,212,391	1.25	8.41	
2043	573,407,693	29,885,484	2,395,000	1.13%	96,417	2,491,417	1,065,000	1.43%	54,733	1,119,733	33,496,635	1.25	17.12	
2044	573,407,693	29,983,252	2,420,000	1.13%	69,213	2,489,213	1,080,000	1.43%	39,397	1,119,397	33,591,861	1.25	17.07	
2045	573,407,693	17,042,485	2,450,000	1.13%	41,697	2,491,697	1,095,000	1.43%	23,845	1,118,845	20,653,027	1.25	27.76	
2046	573,407,693	-	2,465,000	1.13%	13,927	2,478,927	1,120,000	1.43%	8,008	1,128,008	3,606,935	1.25	158.97	
		\$ 9,035,012,294	\$ 63,435,000			\$ 11,321,971	\$ 74,756,971	\$ 27,370,000			\$ 6,269,400	\$ 33,639,400	\$ 9,143,408,665	

*includes \$70,580,000 DWSRF and \$55,005,000 CWSRF loans scheduled to be closed in 1/15

\$63,435,000 1ST ISSUE		\$27,370,000 2ND ISSUE		TOTAL AVERAGE ANNUAL REQUIREMENTS
AVERAGE (MATURITY) LIFE	15.79 YEARS	AVERAGE (MATURITY) LIFE	16.02 YEARS	
NET INTEREST RATE	1.130%	NET INTEREST RATE	1.430%	
COST SAVING	\$4,300,000	COST SAVING	\$10,000,000	
AVERAGE ANNUAL REQUIREMENT	\$ 2,491,899	AVERAGE ANNUAL REQUIREMENT	\$ 1,121,313	

Houston

Engineering and Environmental Review

Engineering:

Key Issues

The applicant has considered innovative and alternative methods of treatment in their application and will evaluate alternatives in greater detail through the Planning phase of the project.

Project Need / Description

Need: The City is under an Agreed Order with the Texas Commission on Environmental Quality (TCEQ) to address sanitary sewer overflows. The Agreed Order calls for the City to renew at least 600,000 linear feet of sanitary sewer collection system per year in order to reduce sanitary sewer overflows.

Project Description: The City is requesting construction phase funding to rehabilitate approximately 650,000 linear feet of 6 to 48-inch diameter sewer pipe using pipe bursting and cured-in-place pipe rehabilitation methods at various locations throughout the City.

Project Schedule

Project Task	Schedule Date
Engineering Feasibility Report Completion (End of Planning Phase)	5/1/2015
Start of Construction	9/1/2015
Closing	1/15/2016
Construction Completion	5/1/2018

Environmental:

Key Issues

None known at this time.

Environmental Summary

As required by 31 Texas Administrative Code §375.62, environmental review of the proposed project has been completed. A Categorical Exclusion was issued on October 14, 2014. The proposed project is in compliance with the National Environmental Policy Act.

Houston
73702 - Collection System Rehabilitation

Budget Items	TWDB Funds	Total Cost
Construction		
Construction	\$55,000,000	\$55,000,000
Construction Total	\$55,000,000	\$55,000,000
Contingency		
Contingency	\$5,500,000	\$5,500,000
Contingency Total	\$5,500,000	\$5,500,000
Fiscal Services		
Bond Reserve Fund	\$1,751,430	\$1,751,430
Issuance Costs	\$31,339	\$31,339
Loan Origination Fee	\$1,152,231	\$1,152,231
Fiscal Services Total	\$2,935,000	\$2,935,000
Grand Total	\$63,435,000	\$63,435,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$63,435,000 TO THE CITY OF HOUSTON
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$63,435,000 CITY OF HOUSTON, TEXAS COMBINED UTILITY SYSTEM REVENUE
BONDS, PROPOSED SERIES 2016-A

(15-)

WHEREAS, the City of Houston, located in Harris County, Texas (Houston) has filed an application for financial assistance in the amount of \$63,435,000 from the Clean Water State Revolving Fund (CWSRF) to finance the construction of certain wastewater system improvements identified as Project No. 73702; and

WHEREAS, Houston seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$63,435,000 City of Houston, Texas Combined Utility System Revenue Bonds, Proposed Series 2016-A (together with all authorizing documents, "Obligations"), all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, Houston has offered a parity lien on the net revenues of the combined utility system as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by Houston will be sufficient to meet all the Obligations assumed by Houston, 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 Houston 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 Houston has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007; and
5. that the Executive Administrator issued a Categorical Exclusion on October 14, 2014, such findings being subject to the standard emergency discovery conditions for threatened and endangered species and cultural resources in the Project contract documents. The TWDB concurs with the environmental finding issued by the Executive Administrator.

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

A commitment is made by the TWDB to the City of Houston for financial assistance in the amount of \$63,435,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$63,435,000 City of Houston, Texas Combined Utility System Revenue Bonds, Proposed Series 2016-A. 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 Houston;
3. this commitment is contingent upon the Houston'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. Houston, 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 Houston'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 Houston's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if Houston is an obligated person with respect to such bonds under SEC Rule 15c2-12;
6. the Obligations must contain a provision requiring Houston 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 Houston 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 Houston 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 Houston 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 Houston, 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, Houston 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, Houston 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, Houston 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 Houston execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

Conditions Related To Tax-Exempt Status

15. Houston'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 Houston when rendering this opinion;
16. Houston's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of Houston when rendering this opinion;
17. the Obligations must include a provision prohibiting Houston 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 Houston to 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 Houston 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. Houston may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of Houston, provided that Houston 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. Houston 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 Houston 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 Houston 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 Houston'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 Houston 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 Houston by the TWDB;

State Revolving Fund Conditions

25. Houston 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. Houston, 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 Houston 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. Houston 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 Houston will adhere to the approved project schedule;
29. the Obligations must contain a covenant that Houston 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, Houston 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, Houston 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. the Obligations shall contain a provision that Houston will at all times maintain and collect sufficient rates and charges to produce net system revenues in each fiscal year at least equal to the greater of (i) 120% of the combined debt service requirements scheduled to occur in such fiscal year on all Previous Ordinance Bonds and First Lien Bonds then outstanding; or (ii) 110% of the combined debt service requirements schedule to occur in such fiscal year on all Previous Ordinance Bonds, First Lien and Second Lien Bonds then outstanding;
34. if Houston has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
35. the Obligations shall contain a provision for the accumulation of a reserve fund equal to 50% of the maximum annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations; and
36. the Obligations shall contain a provision stating that no additional revenue bonds may be issued by Houston unless net system revenues for the last completed fiscal year or any consecutive 12-month period out of the 18-month period immediately preceding the month in which the Supplemental Ordinance adopting such additional First Lien Bonds or additional Second Lien Bonds was issued shall have been not less than the greater of (1) 120% of the combined maximum annual debt service requirements on all First Lien Bonds and any Previous Ordinance Bonds; or (ii) 110% of the combined maximum annual debt service requirements on all First Lien Bonds, Second Lien Bonds and any Previous Ordinance Bonds, considering existing, outstanding bond ordinance language regarding calculation methodologies.

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

Special Conditions:

37. Houston must comply with the standard emergency discovery conditions for threatened and endangered species and cultural resources, as more fully specified in the final environmental finding of the Executive Administrator; and

38. Houston shall submit, prior to the release of funds, a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average estimated useful life of the project, as determined by the schedule.

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 Houston,
Harris County**

