

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: March 26, 2014

TEAM MANAGER: Mireya Loewe

<b>APPLICANT</b>	City of Mission
<b>TYPE OF ASSISTANCE</b>	\$19,640,000 Loan
<b>LEGAL PLEDGE</b>	Junior Lien on Net System Revenues

**STAFF RECOMMENDATION**

Approve       No Action

**ACTION REQUESTED**

Approve by resolution, a request from the **City of Mission (Hidalgo County)** for a \$19,640,000 loan from the Clean Water State Revolving Fund to finance the planning, design, and construction of the wastewater treatment plant expansion.

**PROJECT**

Wastewater Treatment Plant Expansion  
Project Number 73708

**FINANCIAL SUMMARY**

Risk Score:	2B
Pledge for Repayment:	Junior Lien on Net System Revenues
Proposed Repayment Method:	Net System Revenues
Average Monthly Water and Wastewater Bill:	\$58.50
Population Trend:	Positive
Operating Trend:	Positive
Assessed Value Trend:	Positive

<b>COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE ON MARCH 31, 2016</b>
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## FINANCIAL

### Key Issues

The City of Mission (City) has entered into an interlocal agreement with the Agua Special Utility District (District) whereby the District will build a force main to convey wastewater from the Palmview area to the City's existing wastewater treatment plant (WWTP), and the City will provide wastewater treatment at an initial capacity of 1.0 million gallons per day (mgd). In addition, the District will contribute \$3.5 million to the City's \$19.64 million project to expand its WWTP from 9 million gallons per day (mgd) to 13.5 mgd. The City is requesting a commitment from the Texas Water Development Board (TWDB) for the full \$19.64 million, with the understanding that if the District does provide the City with the proposed \$3.5 million contribution, then the City would only close on \$16.14 million of its commitment and the remaining \$3.5 million in commitment would lapse.

The City recently received financial assistance in the amount of \$569,000 from TWDB, consisting of a \$285,000 loan and a \$284,000 grant from the Economically Distressed Areas Program (EDAP) for the planning, acquisition, and design of a project to provide first-time wastewater service to some subdivisions north of the City that were recently added to the City's service area. These proposed new wastewater flows will be treated at the City's WWTP.

### Pledge and Repayment

The City is offering a junior lien on the net revenues of the waterworks and sewer system for repayment of the proposed loan. The pledge is on parity with the TWDB's existing holdings with the City. Utilizing a no-growth scenario for net system revenues, a rate increase is not needed to support the existing and proposed debt service requirements.

### Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$5,034,142 over the life of the \$19.64 million loan by utilizing TWDB funding.

### Internal Risk Score

The City is assigned a risk score of 2B. A risk score of 2B means the City's repayment capacity is adequate. The City's earnings trends and coverage ratios, while stable, may become more susceptible to moderate 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 increased an average of 3.87% per year from 2004 to 2013, outpacing growth in the state over the same period. The assessed valuation of the City has shown an average increase of 3% per year since 2010. The City's current per capita debt level of \$793 is considered low, and would increase to \$1,035 with the proposed \$19.64 million loan.

The median household income for the City is \$40,513, which is approximately 79% of the median for the State overall. In September 2014, the unemployment rate for the City was 6.9% compared to 5% in the State overall. Also, the City's current combined average monthly water

and wastewater rate is 1.73% of the median household income, which is below the Board's benchmark of 2% for two services.

The City's fiscal policies require the maintenance of a strong reserve fund and revenue bond reserve fund, as well as sufficient cash on hand. The City has met these requirements and unrestricted net assets of the utility fund represent approximately 11 months of operating expenses. The City's healthy financial operations, strong coverage, conservative management policies, and growing customer base mitigate the weaker socioeconomic indicators and support staff's recommendation of a 2B risk score.

## **LEGAL**

### Key Issues

None.

## **CONDITIONS**

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

- Pre-design funding.

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**

<b>Authority</b>	City of Mission
<b>Program</b>	Clean Water State Revolving Fund
<b>Commitment Code</b>	L1000374
<b>Project Number</b>	73708
<b>Intended Use Plan Year</b>	2015
<b>Fund Number</b>	651
<b>Type of Pledge</b>	5- Junior Lien Revenue
<b>Revenue Pledge Level</b>	Second
<b>Legal Description</b>	\$19,640,000 City of Mission Waterworks and Sewer System Junior Lien Revenue Bonds, Proposed Series 2015
<b>Tax-exempt or Taxable</b>	Tax-exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay < > Escrow Release
<b>Population</b>	92,703
<b>Rural</b>	No
<b>Water Connections</b>	25,510
<b>Wastewater Connections</b>	22,815
<b>Qualifies as Disadvantaged</b>	No
<b>Disadvantaged Level</b>	9
<b>Clean Water State Revolving Fund Type</b>	Equivalency
<b>Financial, Managerial, and Technical Review Complete?</b>	N/A
<b>Funding Phase Code</b>	Planning, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Adopted
<b>Water Rights Certification Required</b>	N/A
<b>Internal Risk Score</b>	2B
<b>External Ratings (for SRF rates)</b>	
<b>Standard and Poor's</b>	Non-Rated
<b>Moody's</b>	A1
<b>Fitch</b>	Non-Rated
<b>Special Issues</b>	None

**Project Team**

Manager	Mireya Loewe
Financial Analyst	Javier Peña
Engineering Reviewer	Francia Harutunian
Environmental Reviewer	Nicki Hise
Attorney	Joe Reynolds

**ISSUE BEING EVALUATED**  
**City of Mission**  
**City of Mission Waterworks and Sewer System Junior Lien Revenue Bonds, Series 2015**

<b>Dated Date</b>	<b>06/30/15</b>	<b>Source: SRF</b>
<b>Delivery Date</b>	<b>06/30/15</b>	<b>Rate: 1.13%</b>
<b>First Interest</b>	<b>12/30/15</b>	<b>Insurance: No</b>
<b>First Principal</b>	<b>06/30/16</b>	<b>Case: Revenue Only</b>
<b>Last Principal</b>	<b>06/30/45</b>	<b>Admin. Fee Payment Date: 6/30/2015</b>
<b>Fiscal Year End</b>	<b>9/30</b>	<b>Administrative Fee: \$356,740</b>

**FOR ILLUSTRATION PURPOSES ONLY**

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	----- THIS \$19,640,000 ISSUE -----				TOTAL DEBT SERVICE	COVERAGE BEING REQUIRED	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT			
2016	7,960,215	2,985,034	555,000	1.13%	221,932	776,932	3,761,966	1.00	2.12
2017	7,960,215	3,152,799	560,000	1.13%	215,661	775,661	3,928,459	1.00	2.03
2018	7,960,215	2,978,774	565,000	1.13%	209,333	774,333	3,753,106	1.00	2.12
2019	7,960,215	2,514,330	575,000	1.13%	202,948	777,948	3,292,278	1.00	2.42
2020	7,960,215	2,512,581	580,000	1.13%	196,451	776,451	3,289,032	1.00	2.42
2021	7,960,215	2,510,451	585,000	1.13%	189,897	774,897	3,285,348	1.00	2.42
2022	7,960,215	2,521,191	590,000	1.13%	183,286	773,286	3,294,477	1.00	2.42
2023	7,960,215	2,515,694	600,000	1.13%	176,619	776,619	3,292,313	1.00	2.42
2024	7,960,215	2,521,053	605,000	1.13%	169,839	774,839	3,295,892	1.00	2.42
2025	7,960,215	2,520,350	615,000	1.13%	163,003	778,003	3,298,353	1.00	2.41
2026	7,960,215	2,520,213	620,000	1.13%	156,053	776,053	3,296,266	1.00	2.41
2027	7,960,215	2,525,788	625,000	1.13%	149,047	774,047	3,299,835	1.00	2.41
2028	7,960,215	1,405,813	635,000	1.13%	141,985	776,985	2,182,797	1.00	3.65
2029	7,960,215	460,000	640,000	1.13%	134,809	774,809	1,234,809	1.00	6.45
2030	7,960,215	465,000	650,000	1.13%	127,577	777,577	1,242,577	1.00	6.41
2031	7,960,215	465,000	655,000	1.13%	120,232	775,232	1,240,232	1.00	6.42
2032	7,960,215	-	665,000	1.13%	112,831	777,831	777,831	1.00	10.23
2033	7,960,215	-	670,000	1.13%	105,316	775,316	775,316	1.00	10.27
2034	7,960,215	-	680,000	1.13%	97,745	777,745	777,745	1.00	10.23
2035	7,960,215	-	685,000	1.13%	90,061	775,061	775,061	1.00	10.27
2036	7,960,215	-	695,000	1.13%	82,321	777,321	777,321	1.00	10.24
2037	7,960,215	-	700,000	1.13%	74,467	774,467	774,467	1.00	10.28
2038	7,960,215	-	710,000	1.13%	66,557	776,557	776,557	1.00	10.25
2039	7,960,215	-	715,000	1.13%	58,534	773,534	773,534	1.00	10.29
2040	7,960,215	-	725,000	1.13%	50,455	775,455	775,455	1.00	10.27
2041	7,960,215	-	735,000	1.13%	42,262	777,262	777,262	1.00	10.24
2042	7,960,215	-	740,000	1.13%	33,957	773,957	773,957	1.00	10.29
2043	7,960,215	-	750,000	1.13%	25,595	775,595	775,595	1.00	10.26
2044	7,960,215	-	760,000	1.13%	17,120	777,120	777,120	1.00	10.24
2045	7,960,215	-	755,000	1.13%	8,532	763,532	763,532	1.00	10.43
		\$ 34,574,070	\$ 19,640,000		\$ 3,624,419	\$ 23,264,419	\$ 57,838,488		

<b>AVERAGE (MATURITY) LIFE</b>	<b>16.33 YEARS</b>
<b>NET INTEREST RATE</b>	<b>1.130%</b>
<b>COST SAVINGS</b>	<b>\$ 5,034,142</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$1,927,950</b>

**Mission**  
**Engineering and Environmental Review**

**Engineering:**Key Issues

None

Project Need / Description

## Need:

The City of Mission's (City) wastewater treatment plant (WWTP) is currently operating at 79% of its 9.0 million gallon per day (MGD) capacity. With normal projected growth and the expansion of the City's service area, as well as with the need to treat flows from the Agua Special Utility District, the City's WWTP needs to be expanded.

## Project Description:

The City is requesting funding for planning, design, and construction to expand its WWTP from 9.0 MGD to 13.5 MGD. The proposed project will also include the construction of a minimum 2.0 MGD Type 1 effluent reuse system. The City plans to land-apply the effluent at its golf course and park.

Project Schedule

<b>Project Task</b>	<b>Schedule Date</b>
Closing	6/30/2015
Engineering Feasibility Report Completion (End of Planning Phase)	4/30/2015
Design Phase Complete	6/30/2015
Start of Construction	11/30/2015
Construction Completion	6/30/2017

**Environmental:**Key Issues

None known at this time.

Environmental Summary

Pursuant to the requirements of 31 Texas Administrative Code (TAC) §375, all financial assistance shall be conditioned to read that funding for design and construction costs for specific project elements will not be released until the environmental review has been completed and a favorable Finding of No Significant Impact (FNSI) has been issued by the Director of Regional Water Planning & Development. A subsequent Affirmation of Commitment will be necessary for this loan in order to comply with the National Environmental Policy Act.

**Mission**  
**73708 - WWTP Expansion**

<b>Budget Items</b>	<b>TWDB Funds</b>	<b>Local &amp; Other Funds</b>	<b>Total Cost</b>
<b>Construction</b>			
Construction	\$15,365,000	\$0	\$15,365,000
<b>Construction Total</b>	<b>\$15,365,000</b>	<b>\$0</b>	<b>\$15,365,000</b>
<b>Basic Engineering Services</b>			
Construction			
Engineering	\$305,000	\$0	\$305,000
Design	\$732,000	\$0	\$732,000
Planning	\$183,000	\$0	\$183,000
<b>Basic Engineering Services Total</b>	<b>\$1,220,000</b>	<b>\$0</b>	<b>\$1,220,000</b>
<b>Special Services</b>			
Application	\$32,000	\$0	\$32,000
Environmental	\$44,000	\$0	\$44,000
Geotechnical	\$28,000	\$0	\$28,000
Inspection	\$163,000	\$0	\$163,000
O&M Manual	\$15,000	\$0	\$15,000
Permits	\$36,000	\$0	\$36,000
Surveying	\$25,000	\$0	\$25,000
Testing	\$35,000	\$0	\$35,000
<b>Special Services Total</b>	<b>\$378,000</b>	<b>\$0</b>	<b>\$378,000</b>
<b>Contingency</b>			
Contingency	\$2,208,260	\$0	\$2,208,260
<b>Contingency Total</b>	<b>\$2,208,260</b>	<b>\$0</b>	<b>\$2,208,260</b>
<b>Fiscal Services</b>			
Bond Counsel	\$32,000	\$0	\$32,000
Financial Advisor	\$60,000	\$0	\$60,000
Fiscal/Legal	\$20,000	\$0	\$20,000
Loan Origination Fee	\$356,740	\$0	\$356,740
<b>Fiscal Services Total</b>	<b>\$468,740</b>	<b>\$0</b>	<b>\$468,740</b>
<b>Grand Total</b>	<b>\$19,640,000</b>	<b>\$0</b>	<b>\$19,640,000</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$19,640,000 TO CITY OF MISSION  
FROM THE CLEAN WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$19,640,000 CITY OF MISSION, TEXAS WATERWORKS AND SEWER SYSTEM JUNIOR LIEN  
REVENUE BONDS, PROPOSED SERIES 2015

(15- )

WHEREAS, the City of Mission (City) has filed an application for financial assistance in the amount of \$19,640,000 from the Clean Water State Revolving Fund (CWSRF) to finance the planning, design and construction of certain wastewater system improvements identified as Project No. 73708; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$19,640,000 City of Mission, Texas Waterworks and Sewer System Junior Lien Revenue Bonds, Proposed Series 2015 (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, the City has offered a pledge of a junior lien on net system 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 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 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 City 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; and
4. that the City has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007.

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

A commitment is made by the TWDB to the City of Mission for financial assistance in the amount of \$19,640,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$19,640,000 City of Mission, Texas Waterworks and Sewer System Junior Lien Revenue Bonds, Proposed Series 2015. This commitment will expire on March 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 City;
3. this commitment is contingent upon the City'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 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;

#### Conditions Related To Tax-Exempt Status

15. 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;
16. 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;
17. 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);

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 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;
20. 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;
21. 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;
22. 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;
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 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

25. the City 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 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;
27. 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;

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 City will adhere to the approved project schedule;
29. 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;
30. the City 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;

#### Clean Water State Revolving Fund Conditions

31. prior to or at closing, the City shall pay a 1.85% origination fee to the TWDB calculated pursuant 31 TAC Chapter 375;
32. 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;
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 require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
35. if the City 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;

36. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if an accountant or independent engineer signs and delivers to the City a written certificate to the effect that, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed additional junior lien parity bonds, the net revenues were, in the opinion thereof, at least equal to the grater of (i) 1.25 times the annual debt service requirements (computed on a fiscal year basis), including deposits to all funds, of all outstanding debt of the City payable by a lien and pledge of the pledged revenues and the additional junior lien parity bonds to be outstanding after the issuance of the then proposed additional junior lien parity bonds, or (ii) 1.10 times the maximum annual debt service requirements (computed in the same manner as for bonds) of all outstanding obligations payable from a lien on and pledge of the net revenues of the system and all obligations to be outstanding after the issuance of the then proposed additional junior lien parity bonds.

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

Special Conditions:

37. the loan is approved for funding under the TWDB’s pre-design funding option, and initial and future releases of funds are subject to 31 TAC Chapter 375.

APPROVED and ordered of record this 26<sup>th</sup> day of March, 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
<b>Baseline</b>				
<b>5-year Goal</b>				
<b>10-year Goal</b>				

**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 &lt; 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 &gt; 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 &gt; 16 connections per mile and &gt; 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.

# City of Mission, Hidalgo County

