

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: March 26, 2015

TEAM MANAGER: Clay Schultz

APPLICANT	City of Castroville
TYPE OF ASSISTANCE	\$3,500,000 Loan
LEGAL PLEDGE	First Lien on the Net Revenues of the Utility System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the **City of Castroville (Medina County)** for a \$3,500,000 construction phase loan from the Drinking Water State Revolving Fund to finance the replacement of waterlines to address water loss and improve efficiency.

PROJECT

Waterline Replacement
Project Number 62534

FINANCIAL SUMMARY

Risk Score:	2B
Pledge for Repayment:	Net Revenues of the Utility System
Proposed Repayment Method:	Revenues
Assessed Value Trend:	Stable
Operating Trends:	Positive
Revenue Coverage Range (First Five Years):	2.24x-2.25x

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

Key Issues

The Texas Water Development Board's (TWDB) agenda includes three (3) loan requests from the City of Castroville (City). Two requests are from the Clean Water State Revolving Fund at \$9,050,000 and \$3,050,000. The other loan request is from the Drinking Water State Revolving Fund and totals \$3,500,000. All three loan requests are included in the debt service schedules shown in Attachment 2.

Cost Savings

Based on a 20-year maturity schedule, current interest rates, and a loan amount of \$3,500,000, the City could save approximately \$415,000 over the life of the loan.

Pledge and Repayment

The City is pledging a first lien on the net revenues of the utility system for the repayment of the proposed loan. Current system revenues are sufficient to service both existing and proposed debt service requirements, including all additional concurrent requests for funding listed on this TWDB agenda.

Internal Risk Score

Staff assigns a risk score of 2B. A risk score of 2B means that the City's repayment capacity is adequate. The City's earnings trends and coverage ratios, while stable, may be 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 connections have remained stable at approximately 1,048 water and 979 wastewater connections. While the median household income of \$53,000 is higher than the State's at \$51,900, the service area's unemployment rate is high at 7.8% compared to 4.1% in the state overall. Currently, the City's customers pay an average of \$78 per month for water and wastewater service. This represents approximately 1.76% of the median household income, which is lower than the 2% benchmark for two services. Sales tax collections have increased by approximately 11% over the last year.

Historically, the City has maintained a low level of debt. Including the proposed debt and the other two loan requests reflected on this TWDB agenda, the per capita debt level will be \$6,368. This is considered to be a high level of overall debt. Although the City is substantially increasing the debt burden with all three proposed loans, current rates and charges remain sufficient to meet existing and proposed debt service requirements. Staff's risk score is based on the City's affordable rates and stable water and wastewater connections.

LEGAL

Key Issues

None.

CONDITIONS

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

- Alternative additional bonds test;
- Water Conservation Plan; and,
- Emergency discovery conditions.

- 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

Authority	City of Castroville
Program	Drinking Water State Revolving Fund
Commitment Code	L1000392
Project Number	62534
Intended Use Plan Year	2015
Fund Number	951
Type of Pledge	2-Rev
Revenue Pledge Level	First
Legal Description	\$3,500,000 Combined Utility System Revenue Bonds, Proposed Series 2015A
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	2,680
Rural	Yes
Water Connections	1,048
Wastewater Connections	979
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
Financial, Managerial, and Technical Review Complete?	Yes
Funding Phase Code	Construction
Pre-Design	No
Project Consistent with Water Plan	Yes
Water Conservation Plan	Approvable
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

Team Manager	Clay Schultz
Financial Analyst	Maxine Gilford
Engineering Reviewer	James Bronikowski
Environmental Reviewer	Chris Caran
Attorney	Barbara Watson

**ISSUE BEING EVALUATED
City of Castroville**

1ST ISSUE						2ND ISSUE					
\$12,100,000 Combined Utility System Rev. Bonds, Proposed Series 2015B&C						\$3,500,000 Combined Utility System Rev. Bonds, Proposed Series 2015A					
Dated Date	08/12/15	Source: SRF		Dated Date	06/04/15	Source: DWSRF					
Delivery Date	08/12/15	Rate: 1.81%		Delivery Date	06/04/15	Rate: 2.11%					
First Interest	02/01/16	Insurance: No		First Interest	02/01/16	Insurance: No					
First Principal	02/01/16	Case: Revenue Only		First Principal	02/01/16	Case: Revenue Only					
Last Principal	02/01/45	Admin. Fee Payment Date: 8/12/2015		Last Principal	02/01/35	Admin. Fee Payment Date: 6/4/2015					
Fiscal Year End	9/30	Administrative Fee: \$219,784		Fiscal Year End	9/30	Administrative Fee: \$77,017					

FOR ILLUSTRATION PURPOSES ONLY

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	-----\$12,100,000 1ST ISSUE-----				-----\$3,500,000 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			
2016	1,825,000	73,768	305,000	1.81%	209,558	514,558	140,000	2.11%	84,066	224,066	812,392	1.00	2.25
2017	1,825,000	73,768	315,000	1.81%	210,639	525,639	145,000	2.11%	69,366	214,366	813,773	1.00	2.24
2018	1,825,000	73,768	320,000	1.81%	204,892	524,892	150,000	2.11%	66,254	216,254	814,914	1.00	2.24
2019	1,825,000	73,754	325,000	1.81%	199,055	524,055	150,000	2.11%	63,089	213,089	810,898	1.00	2.25
2020	1,825,000	73,670	330,000	1.81%	193,127	523,127	155,000	2.11%	59,871	214,871	811,668	1.00	2.25
2021	1,825,000	78,413	335,000	1.81%	187,109	522,109	160,000	2.11%	56,548	216,548	817,070	1.00	2.23
2022	1,825,000	77,940	340,000	1.81%	181,000	521,000	160,000	2.11%	53,172	213,172	812,112	1.00	2.25
2023	1,825,000	77,288	350,000	1.81%	174,756	524,756	165,000	2.11%	49,743	214,743	816,787	1.00	2.23
2024	1,825,000	76,478	355,000	1.81%	168,375	523,375	170,000	2.11%	46,209	216,209	816,062	1.00	2.24
2025	1,825,000	75,518	360,000	1.81%	161,905	521,905	170,000	2.11%	42,622	212,622	810,045	1.00	2.25
2026	1,825,000	-	370,000	1.81%	155,298	525,298	175,000	2.11%	38,982	213,982	739,280	1.00	2.47
2027	1,825,000	-	375,000	1.81%	148,556	523,556	180,000	2.11%	35,237	215,237	738,793	1.00	2.47
2028	1,825,000	-	380,000	1.81%	141,723	521,723	185,000	2.11%	31,386	216,386	738,109	1.00	2.47
2029	1,825,000	-	390,000	1.81%	134,755	524,755	185,000	2.11%	27,483	212,483	737,237	1.00	2.48
2030	1,825,000	-	395,000	1.81%	127,650	522,650	190,000	2.11%	23,527	213,527	736,177	1.00	2.48
2031	1,825,000	-	400,000	1.81%	120,456	520,456	195,000	2.11%	19,465	214,465	734,920	1.00	2.48
2032	1,825,000	-	410,000	1.81%	113,125	523,125	200,000	2.11%	15,298	215,298	738,423	1.00	2.47
2033	1,825,000	-	415,000	1.81%	105,659	520,659	205,000	2.11%	11,025	216,025	736,684	1.00	2.48
2034	1,825,000	-	425,000	1.81%	98,057	523,057	205,000	2.11%	6,699	211,699	734,756	1.00	2.48
2035	1,825,000	-	430,000	1.81%	90,319	520,319	215,000	2.11%	2,268	217,268	737,587	1.00	2.47
2036	1,825,000	-	440,000	1.81%	82,446	522,446	-	-	-	-	522,446	1.00	3.49
2037	1,825,000	-	450,000	1.81%	74,391	524,391	-	-	-	-	524,391	1.00	3.48
2038	1,825,000	-	455,000	1.81%	66,201	521,201	-	-	-	-	521,201	1.00	3.50
2039	1,825,000	-	465,000	1.81%	57,875	522,875	-	-	-	-	522,875	1.00	3.49
2040	1,825,000	-	475,000	1.81%	49,368	524,368	-	-	-	-	524,368	1.00	3.48
2041	1,825,000	-	480,000	1.81%	40,725	520,725	-	-	-	-	520,725	1.00	3.50
2042	1,825,000	-	490,000	1.81%	31,947	521,947	-	-	-	-	521,947	1.00	3.50
2043	1,825,000	-	500,000	1.81%	22,987	522,987	-	-	-	-	522,987	1.00	3.49
2044	1,825,000	-	510,000	1.81%	13,847	523,847	-	-	-	-	523,847	1.00	3.48
2045	1,825,000	-	510,000	1.81%	4,616	514,616	-	-	-	-	514,616	1.00	3.55
		\$ 754,365	\$ 12,100,000		\$ 3,570,411	\$ 15,670,411	\$ 3,500,000		\$ 802,310	\$ 4,302,310	\$ 20,727,086		

\$12,100,000 1ST ISSUE		\$3,500,000 2ND ISSUE		TOTAL AVERAGE ANNUAL REQUIREMENTS
AVERAGE (MATURITY) LIFE	16.3 YEARS	AVERAGE (MATURITY) LIFE	10.86 YEARS	
NET INTEREST RATE	1.810%	NET INTEREST RATE	2.110%	
COST SAVINGS	\$3,193,297	COST SAVINGS	\$415,293	
AVERAGE ANNUAL REQUIREMENT	\$ 522,347	AVERAGE ANNUAL REQUIREMENT	\$ 215,116	\$737,463

Castroville
Engineering and Environmental Review

Engineering:Key Issues

The City of Castroville (City) has reported instances of high water loss on their most recent water loss audit. To address this issue, the City is currently proposing a project that includes components for water line replacement in the City's central business district.

Project Need / Description

Need: The City has experienced instances of high water loss and low system pressure throughout the water distribution system.

Project Description: The City is requesting construction phase funding for the replacement of small diameter water lines and lines with historically high leakage to address water loss and low pressure. New water lines are being proposed to provide redundancy and improve circulation. Approximately 29,400 feet of line will be replaced with 8-inch diameter pipe.

Project Schedule

Project Task	Schedule Date
Closing	6/4/2015
Design Phase Complete	6/9/2015
Start of Construction	9/11/2015
Construction Completion	6/1/2016

Environmental:Key Issues

None known at this time.

Environmental Summary

A Categorical Exclusion (CE) for this project was issued on July 21, 2014. As required by 31 Texas Administrative Code (TAC) §371.41, environmental review of the proposed project has been completed. The proposed project is in compliance with the National Environmental Policy Act.

Castroville
62534 - Water Line Replacement

Budget Items	Previous Commitments	This Commitment	TWDB Funds	Total Cost
Construction				
Construction	\$0	\$2,700,000	\$2,700,000	\$2,700,000
Construction Total	\$0	\$2,700,000	\$2,700,000	\$2,700,000
Basic Engineering Services				
Construction Engineering	\$0	\$54,000	\$54,000	\$54,000
Design	\$128,500	\$0	\$128,500	\$128,500
Planning	\$9,000	\$0	\$9,000	\$9,000
Basic Engineering Services Total	\$137,500	\$54,000	\$191,500	\$191,500
Special Services				
Environmental	\$45,000	\$0	\$45,000	\$45,000
Inspection	\$0	\$90,000	\$90,000	\$90,000
Surveying	\$46,600	\$0	\$46,600	\$46,600
Testing	\$0	\$20,000	\$20,000	\$20,000
Special Services Total	\$91,600	\$110,000	\$201,600	\$201,600
Contingency				
Contingency	\$45,105	\$275,618	\$320,723	\$320,723
Contingency Total	\$45,105	\$275,618	\$320,723	\$320,723
Other				
Administration	\$4,000	\$0	\$4,000	\$4,000
Other Total	\$4,000	\$0	\$4,000	\$4,000
Fiscal Services				
Bond Counsel	\$12,000	\$29,500	\$41,500	\$41,500
Bond Reserve Fund	\$36,695	\$213,215	\$249,910	\$249,910
Financial Advisor	\$12,000	\$29,250	\$41,250	\$41,250
Issuance Costs	\$3,398	\$11,400	\$14,798	\$14,798
Loan Origination Fee	\$7,702	\$77,017	\$84,719	\$84,719
Fiscal Services Total	\$71,795	\$360,382	\$432,177	\$432,177
Grand Total	\$350,000	\$3,500,000	\$3,850,000	\$3,850,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$3,500,000 TO CITY OF CASTROVILLE
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$3,500,000 CITY OF CASTROVILLE COMBINED UTILITY SYSTEM REVENUE BONDS,
PROPOSED SERIES 2015A

(15-)

WHEREAS, the City of Castroville (City) has filed an application for financial assistance in the amount of \$3,500,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the construction of certain water system improvements identified as Project No. 62534; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$3,500,000 Combined Utility System Revenue Bonds, Proposed Series 2015A (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 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 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 TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);
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); and

6. that the Executive Administrator issued a Categorical Exclusion on July 21, 2014, such findings being subject to the standard emergency discovery conditions for threatened and endangered species and cultural resources in the Project contract documents.

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

A commitment is made by the TWDB to the City of Castroville for financial assistance in the amount of \$3,500,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$3,500,000 Combined Utility System Revenue Bonds, Proposed Series 2015A. 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 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;

Drinking Water State Revolving Fund Conditions

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

33. 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;
34. 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;

- 35. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the City certifies that the City is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the City must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

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

Special Conditions:

- 36. prior to closing, the City shall adopt and implement the water conservation program approved by the TWDB; and
- 37. the City 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.

APPROVED and ordered of record this 26th 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
Baseline				
5-year Goal				
10-year Goal				

WATER LOSS AUDIT YEAR:

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

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

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

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

ADDITIONAL INFORMATION:

STAFF NOTES AND RECOMMENDATIONS:

DEFINITIONS

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

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

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

GPCD means gallons per capita per day.

Infrastructure Leakage Index (ILI) is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a bench marking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

NA means not applicable.

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

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

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

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

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

City of Castroville, Medina County

