

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: April 10, 2015

TEAM MANAGER: Nancy Richards

APPLICANT	City of Port Arthur
TYPE OF ASSISTANCE	\$6,995,000 Loan
LEGAL PLEDGE	Ad Valorem Taxes and Surplus Revenues of the System

STAFF RECOMMENDATION

Approve No Action

Consider approving by resolution a request from the **City of Port Arthur (Jefferson County)** to amend TWDB Resolution No. 14-48 authorizing a \$1,035,000 increase in financial assistance for a total loan of \$6,995,000 from the Clean Water State Revolving Fund to finance planning and design costs relating to the construction of a new wastewater treatment plant.

PROJECT

Main Wastewater Treatment Plant
Project Number 73688

FINANCIAL SUMMARY

Risk Score:	2C
Pledge for Repayment:	Tax and Surplus Revenues
Proposed Repayment Method:	Tax and Surplus Revenues
Operating Trends:	Positive
Assessed Valuation Trend:	Increasing

COMMITMENT PERIOD: TWO (2) MONTHS EXPIRES ON JUNE 30, 2015

FINANCIAL

Key Issues

The City of Port Arthur (City) is presently pursuing an additional \$1,035,000 increase commitment from the Clean Water State Revolving Program; the City's original commitment in June 2014, was for \$5,960,000.

The City currently has a request to increase their Drinking Water commitment to \$2,080,000. Both loans are scheduled to close June 1, 2015. The attached debt service schedule reflects the impact of the proposed funding increase requests.

Pledge and Repayment

The City is pledging ad valorem taxes and surplus revenues of the system for repayment of loan. In analyzing loan requests from the City, a no-growth scenario and 90% collection rates for ad valorem tax was utilized. Although the City is pledging ad valorem taxes and surplus revenues, their intention is to repay the proposed debt with tax revenues only. The City has accumulated approximately \$3,000,000 in unrestricted funds from tax payments and interest earned that will be utilized in lieu of a tax rate increase to meet their debt services requirements.

Staff's analysis is based on documentation received, an estimated Clean Water State Revolving Fund tax-exempt interest rate and a 10-year maturity schedule.

Cost Savings

Based on a 10-year maturity schedule and current interest rates, the City could save approximately \$342,714 over the life of the loan.

Internal Risk Score

The City is assigned a risk score of 2C. A risk score of 2C means that the applicant's repayment capacity is sufficient to cover the existing and proposed debt. The applicant's earnings trends and coverage ratios are marginal and are more susceptible to slight deviations in economic conditions. Changes in economic, financial or business conditions or any other adverse circumstances may weaken the entity's capacity to meet its financial obligations.

The City's population has decreased at an average rate of 0.11% since 2000, compared to the State average annual population increase of 1.59% during the same period. The City's median household income of \$33,456 is approximately 64% of the median (\$51,900) for the State overall. The City's current unemployment rate is 10.4% compared to the State's 4.6% average unemployment rate.

On average, the residential user pays 2.7 % of their annual income for water and sewer service. This is above the TWDB's benchmark of 2% for two services. Staff has assigned a 2C risk rating to the proposed project. The risk score is established on an analysis of the City's economic indicators and utility management policies.

LEGAL

Key Issues

None.

CONDITIONS

Standard tax-exempt, tax and surplus revenue and Clean Water State Revolving Fund conditions and futhur condition as follows:

1. Adopt Water Conservation Plan.

- Attachments:
1. Project Data Summary
 2. Debt Service Schedule
 3. Engineering/Environmental Review
 4. Project Budget
 5. Resolution (14-)
 6. Water Conservation Review
 7. Location Map

PROJECT DATA SUMMARY

Responsible Authority	City of Port Arthur
Program	CleanWater State Revolving Fund
Commitment Code	L1000298
Project Number	73688
Intended Use Plan Year	2014
Fund Number	651
Type of Pledge	3
Revenue Pledge Level	Third
Legal Description	\$6,995,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015A
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay < > Escrow Release
Population	53,937
Rural	No
Water Connections	17,435
Wastewater Connections	17,435
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	Non-Equivalency
Financial, Managerial, and Technical Review Complete?	N/A
Phase Committing	Planning and Design
Pre-Design	No
Project Consistent with Water Plan	Yes
Water Conservation Plan	Approvable
Water Rights Certification Required	N/A
Internal Risk Score	2C
External Ratings (for SRF rates)	
Standard and Poor's	A+
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

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

ISSUE BEING EVALUATED
City of Port Arthur

1ST ISSUE

\$6,995,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015A

Dated Date	06/01/15	Source: SRF
Delivery Date	06/01/15	Rate: 1.45%
First Interest	12/15/15	Insurance: no
First Principal	12/15/15	Case: Tax and Surplus Revenues
Last Principal	12/15/25	Admin. Fee Payment Date: 6/1/2015
Fiscal Year End	9/30	Administrative Fee: \$127,057

2ND ISSUE

\$2,080,000 Combination Tax and Surplus Revenues Certificates of Obligation, Proposed Series 2015B

Dated Date	06/01/15	Source: DWSRF
Delivery Date	06/01/15	Rate: 1.40%
First Interest	12/15/15	Insurance: no
First Principal	12/15/15	Case: Tax and Surplus Revenues
Last Principal	12/15/25	Admin. Fee Payment Date: 6/1/2015
Fiscal Year End	9/30	Administrative Fee: \$45,770

RATES ARE FOR ILLUSTRATION PURPOSES ONLY AND ARE SUBJECT TO CHANGE

FISCAL YEAR	PROJECTED ASSESSED VALUE	REQUIRED TAX RATE	REQUIRED TAX REVENUES WITH COLL. @ 90%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	-----\$6,995,000 1ST ISSUE-----				-----\$2,080,000 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	2,893,801,395	0.788	20,529,333	-	20,529,333	7,322,324	590,000	1.45%	101,094	691,094	175,000	1.40%	29,027	204,027	8,217,446	1.10	2.50
2017	2,893,801,395	0.409	10,644,916	-	10,644,916	7,352,608	600,000	1.45%	88,523	688,523	180,000	1.40%	25,410	205,410	8,246,541	1.10	1.29
2018	2,893,801,395	0.410	10,669,868	-	10,669,868	7,368,470	610,000	1.45%	79,750	689,750	180,000	1.40%	22,890	202,890	8,261,110	1.10	1.29
2019	2,893,801,395	0.410	10,673,391	-	10,673,391	7,374,158	615,000	1.45%	70,869	685,869	185,000	1.40%	20,335	205,335	8,265,362	1.10	1.29
2020	2,893,801,395	0.412	10,720,138	-	10,720,138	7,405,586	625,000	1.45%	61,879	686,879	185,000	1.40%	17,745	202,745	8,295,210	1.10	1.29
2021	2,893,801,395	0.351	9,137,562	-	9,137,562	6,280,009	635,000	1.45%	52,744	687,744	190,000	1.40%	15,120	205,120	7,172,873	1.10	1.27
2022	2,893,801,395	0.290	7,545,184	-	7,545,184	5,152,514	645,000	1.45%	43,464	688,464	190,000	1.40%	12,460	202,460	6,043,438	1.10	1.25
2023	2,893,801,395	0.134	3,501,166	-	3,501,166	2,278,985	655,000	1.45%	34,039	689,039	195,000	1.40%	9,765	204,765	3,172,789	1.10	1.10
2024	2,893,801,395	0.135	3,523,062	-	3,523,062	2,293,031	665,000	1.45%	24,469	689,469	195,000	1.40%	7,035	202,035	3,184,535	1.10	1.11
2025	2,893,801,395	0.136	3,539,041	-	3,539,041	2,307,919	675,000	1.45%	14,754	689,754	200,000	1.40%	4,270	204,270	3,201,943	1.10	1.11
2026	2,893,801,395	0.137	3,563,807	-	3,563,807	2,324,091	680,000	1.45%	4,930	684,930	205,000	1.40%	1,435	206,435	3,215,456	1.10	1.11
					\$ 94,047,468	\$ 57,459,695	\$ 6,995,000		\$ 576,513	\$ 7,571,513	\$ 2,080,000		\$ 165,492	\$ 2,245,492	\$ 67,276,701		

\$6,995,000 1ST ISSUE		\$2,080,000 2ND ISSUE		TOTAL AVERAGE ANNUAL REQUIREMENTS
AVERAGE (MATURITY) LIFE	5.68 YEARS	AVERAGE (MATURITY) LIFE	5.68 YEARS	
NET INTEREST RATE	1.450%	NET INTEREST RATE	1.400%	
COST SAVING	\$ 342,714.00	COST SAVING	\$ 101,107.00	
AVERAGE ANNUAL REQUIREMENT	\$688,319	AVERAGE ANNUAL REQUIREMENT	\$204,136	\$6,116,064

Port Arthur
Engineering and Environmental Review

Engineering:Key Issues

The new wastewater treatment plant will replace the City of Port Arthur's (City) existing 9.1 million gallon per day (MGD) wastewater treatment plant that was originally constructed in the 1960s and underwent three major rehabilitation projects over the years. Recently, the City underwent a significant rehabilitation project using American Recovery and Reinvestment Act (ARRA) funds through the Texas Water Development Board. These improvements provided repairs to bring the existing plant into compliance with the current discharge permit. However, as the rehabilitation work proceeded, it was realized that the condition of numerous critical plant components were much worse than previously observed. As a result, it was determined by the City and its consultants that building a new plant would be more cost effective than committing to additional future repairs to the existing plant. Considering the realistic timing for the major undertaking of the funding, design, and construction of a new facility, even with the improvements from the ARRA project it is anticipated that by the time a new treatment plant is ready to accept flows, the existing plant will be in need of additional repairs.

Project Need / Description

Need: The City's existing Main Wastewater Treatment Plant was constructed in the 1960's and has been modified several times. A large portion of the piping, valves, and equipment are original. Due to its age, the plant is approaching the end of its useful life.

Project Description:

The City received a commitment for financial assistance to plan and design a new 15 million gallon per day wastewater treatment plant in June 2014. This proposed project intends to replace the City's Main Wastewater Treatment Plant by demolishing the existing treatment plant and lift station, removing or abandoning in place structures, and returning the property to a useful condition. At this time, the City is requesting an amendment to their current unclosed commitment for an increase the amount of financial assistance from \$5,960,000 to \$6,995,000. The project scope will remain unchanged.

Project Schedule

Project Task	Schedule Date
Closing	6/1/2015
Engineering Feasibility Report Completion (End of Planning Phase)	2/1/2016
Design Phase Complete	8/31/2017

Environmental:Key Issues

None known at this time.

Environmental Summary

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude construction of the project. Based on this initial environmental review, it is not anticipated that the proposed

Port Arthur

Engineering and Environmental Review

project's primary environmental impacts should be significant or adverse, nor should they affect project implementation.

Pursuant to the requirements of 31 Texas Administrative Code (TAC) §375.51 all financial assistance shall be conditioned to read that funding for design costs for the proposed project will not be released until the environmental review has been completed and a favorable environmental determination has been issued by the Executive Administrator.

**Port Arthur
73688 - Main WWTP**

Budget Items	Original Commitment	Commitment Increase	TWDB Funds	Total Cost
Basic Engineering Services				
Design	\$5,074,660	\$425,340	\$5,500,000	\$5,500,000
Planning	\$487,200	-\$115,000	\$372,200	\$372,200
Basic Engineering Services Total	\$5,561,860	\$310,340	\$5,872,200	\$5,872,200
Special Services				
Environmental	\$0	\$125,000	\$125,000	\$125,000
Geotechnical	\$0	\$85,000	\$85,000	\$85,000
Permits	\$0	\$125,000	\$125,000	\$125,000
Surveying	\$0	\$75,000	\$75,000	\$75,000
Water Conservation Plan	\$0	\$15,000	\$15,000	\$15,000
Special Services Total	\$0	\$425,000	\$425,000	\$425,000
Contingency				
Contingency	\$3,923	\$253,320	\$257,243	\$257,243
Contingency Total	\$3,923	\$253,320	\$257,243	\$257,243
Other				
Administration	\$208,000	\$0	\$208,000	\$208,000
Other Total	\$208,000	\$0	\$208,000	\$208,000
Fiscal Services				
Bond Counsel	\$23,000	\$5,500	\$28,500	\$28,500
Financial Advisor	\$27,960	\$9,540	\$37,500	\$37,500
Fiscal/Legal	\$7,000	\$7,500	\$14,500	\$14,500
Issuance Costs	\$20,000	\$5,000	\$25,000	\$25,000
Loan Origination Fee	\$108,257	\$18,800	\$127,057	\$127,057
Fiscal Services Total	\$186,217	\$46,340	\$232,557	\$232,557
Grand Total	\$5,960,000	\$1,035,000	\$6,995,000	\$6,995,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TWDB RESOLUTION NO. 14-48
TO INCREASE THE AMOUNT OF FINANCIAL ASSISTANCE FOR THE \$5,960,000 CITY
OF PORT ARTHUR COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF
OBLIGATION, PROPOSED SERIES 2014A TO BE ISSUED BY THE CITY OF PORT
ARTHUR

(15-)

WHEREAS, at its June 18, 2014 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 14-48, made a commitment to provide financial assistance to the City of Port Arthur (City) for the purpose of financing improvements to Port Arthur's wastewater system in the amount of \$5,960,000, consisting of the TWDB's purchase of \$5,960,000, City of Port Arthur Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2014A, from the Clean Water State Revolving Fund program, all as is more specifically set forth in the TWDB's Resolution and accompanying documentation, to which documents express reference is made; and

WHEREAS, by letter dated October 31, 2014, Port Arthur has requested that the TWDB amend the previous resolution, TWDB Resolution No. 14-48, to increase the amount of financial assistance from the Board by \$1,035,000 to a total amount of \$6,995,000; and

WHEREAS, Port Arthur requested an extension of the Board's commitment until June 30, 2015, and on December 11, 2014, the Board granted the extension through Resolution No. 14-120; and

WHEREAS, the TWDB hereby finds that the amendment to the amount of this loan is reasonable and that the request is in the public interest and will serve a public purpose; and

WHEREAS, in accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law;

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

1. the commitment of the TWDB to purchase \$5,960,000 City of Port Arthur Combination Tax and Surplus Revenue Certificates of Obligation is amended to provide additional financial assistance in the amount of \$1,035,000 through the Board's purchase of \$6,995,000 City of Port Arthur Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015A; and
2. all other terms and conditions of TWDB Resolution No. 14-48 shall remain in full force and effect.

APPROVED and ordered of record this the 10th day of April, 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 Port Arthur, Jefferson County

