



PROJECT FUNDING REQUEST

BOARD DATE: June 16, 2015

TEAM MANAGER: Mireya Loewe

APPLICANT	City of Laredo
TYPE OF ASSISTANCE	\$18,000,000 Loan
LEGAL PLEDGE	Subordinate Revenues of the City's Combined Waterworks and Sewer System

STAFF RECOMMENDATION

Approve No Action

Approve by resolution a request from the City Laredo (Webb County) to amend TWDB Resolution No. 14-68 to (a) authorize an \$8,000,000 increase in financial assistance, for a total loan of \$18,000,000, from the Clean Water State Revolving Fund to finance the construction of wastewater system improvements; and (b) extend the loan commitment period to February 29, 2016.

PROJECT

Sombreretillo Creek WWTP
Project Number 73691

BACKGROUND

The City of Laredo (City) has experienced an increased population in the northwest and northeast areas of the City. Wastewater flows from these areas are being diverted by gravity lines and lift stations into the Mines Road Interceptor that eventually discharges into the Zacate Creek Plant. Currently, the Zacate Creek plant, which lies within the 100-year flood plain, is overloaded with the expanding growth within these areas.

The Texas Water Development Board (TWDB) approved a commitment of \$10,000,000 for this project on August 8, 2014. However, after bids were opened, the commitment amount was not sufficient to meet the project costs. Therefore, the City is requesting an additional \$8,000,000. The City is making changes to the bid package to reduce the costs when the project is re-bid.

The current commitment expires on August 31, 2015. The six-month commitment extension will allow the City to delay the closing until the funds are needed just prior to completing the bidding process.

COMMITMENT PERIOD: TO EXPIRE ON FEBRUARY 29, 2016
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FINANCIAL

Key Issues

The City is requesting an \$8,000,000 increase to their existing \$10,000,000 construction commitment for the proposed project.

Pledge and Repayment

The City is pledging subordinate lien on the revenues of the waterworks and sewer system for the repayment of the proposed loan. The City's current average monthly water and sewer rate is \$54.51, and the City intends to implement a slight increase of 2% per year from 2015-2037. This will allow the City to meet its debt service obligations and maintain the required debt coverage of 1.25x for revenue pledges.

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$3,440,000 over the life of the loan.

Internal Risk Score

Staff assigns a 2B to the City. This means that the City's repayment capacity is adequate and earnings trends and coverage ratios, while stable, may be more susceptible to moderate changes in circumstances and economic conditions than the higher rated obligations.

The median household income of \$39,011 is below the median for the State overall of \$51,900. The 6.8% unemployment rate, as of December 2014, is above the state unemployment rate of 4.1%. Also, the City's current combined average monthly water and wastewater rate of \$54.51 is 1.67% of the median household income. After the projected 2% increase to the combined water and wastewater rates, the household cost factor would be 1.72%, which is below the TWDB benchmark of 2% for two services.

The City's top ten water and wastewater customers represent less than 10% of the system's total revenues, which indicates that the City is not relying heavily on them for debt service requirements. The City's water and wastewater connections are stable. The City's per capital debt is moderate at \$1,637 including the proposed debt.

Staff's risk score is based on the City's consistent assessed valuation growth, low household cost factor, positive operating trends, moderate debt per capita, and non-reliance on top ten customers.

LEGAL

Key Issues

None.

CONDITIONS

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

- Useful life; and
- American Iron and Steel.

Attachments: 1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental Review
4. Project Budget
5. Resolution (15-)
6. Resolution (14-68)
7. Water Conservation Review
8. Location Map

PROJECT DATA SUMMARY

Authority	City of Laredo
Program	CleanWater State Revolving Fund
Commitment Code	L1000329
Project Number	73691
Intended Use Plan Year	2015
Fund Number	651
Type of Pledge	5
Revenue Pledge Level	Second
Legal Description	\$18,000,000 Waterworks and Sewer System Subordinate Lien Revenue Bonds, Proposed Series 2015
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay\diamondEscrow Release
Population	248,731
Rural	No
Water Connections	63,703
Wastewater Connections	59,995
Qualifies as Disadvantaged	No
Disadvantaged Level	N/A
Clean Water State Revolving Fund Type	Non-Equivalency
Financial, Managerial, and Technical Review Complete?	N/A
Phase Committing	Construction
Pre-Design	Yes
Project Consistent with Water Plan	N/A
Water Conservation Plan	Adopted
Water Rights Certification Required	N/A
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	AA
Moody's	A1
Fitch	AA-
Special Issues	None

Project Team

Manager	Mireya Loewe
Financial Analyst	Javier Pena
Engineering Reviewer	Augustine Tambe
Environmental Reviewer	Nicki Hise
Attorney	Joe P. Reynolds

ISSUE BEING EVALUATED
City of Laredo
\$18,000,000 Waterworks and Sewer System Subordinate Lien Revenue Bonds, Proposed Series 2015

Dated Date	11/30/15	Source: CWSRF
Delivery Date	11/30/15	Rate: 1.42%
First Interest	05/30/16	Insurance: None
First Principal	11/30/16	Case: Revenue
Last Principal	11/30/44	Admin. Fee Payment Date: 11/30/2015
Fiscal Year End	9/30	Administrative Fee: \$326,951

RATES ARE FOR ILLUSTRATION PURPOSES ONLY AND ARE SUBJECT TO CHANGE

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	----- THIS \$18,000,000 ISSUE -----				TOTAL DEBT SERVICE	COVERAGE BEING REQUIRED	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT			
2016	34,306,897	25,637,842	495,000	1.42%	124,286	619,286	26,257,128	1.25	1.31
2017	34,306,897	25,691,345	495,000	1.42%	245,057	740,057	26,431,402	1.25	1.30
2018	34,306,897	26,179,727	495,000	1.42%	238,028	733,028	26,912,755	1.25	1.27
2019	34,306,897	25,643,379	495,000	1.42%	230,999	725,999	26,369,378	1.25	1.30
2020	34,306,897	25,224,663	495,000	1.42%	223,970	718,970	25,943,633	1.25	1.32
2021	34,306,897	24,926,582	500,000	1.42%	216,905	716,905	25,643,487	1.25	1.34
2022	34,306,897	24,557,284	505,000	1.42%	209,770	714,770	25,272,054	1.25	1.36
2023	34,306,897	24,567,823	510,000	1.42%	202,563	712,563	25,280,386	1.25	1.36
2024	34,306,897	24,308,772	515,000	1.42%	195,286	710,286	25,019,058	1.25	1.37
2025	34,306,897	24,025,197	520,000	1.42%	187,937	707,937	24,733,134	1.25	1.39
2026	34,306,897	23,331,594	530,000	1.42%	180,482	710,482	24,042,076	1.25	1.43
2027	34,306,897	22,888,416	540,000	1.42%	172,885	712,885	23,601,301	1.25	1.45
2028	34,306,897	21,865,456	550,000	1.42%	165,146	715,146	22,580,602	1.25	1.52
2029	34,306,897	20,540,069	560,000	1.42%	157,265	717,265	21,257,334	1.25	1.61
2030	34,306,897	19,847,627	570,000	1.42%	149,242	719,242	20,566,869	1.25	1.67
2031	34,306,897	20,116,419	580,000	1.42%	141,077	721,077	20,837,496	1.25	1.65
2032	34,306,897	20,132,989	590,000	1.42%	132,770	722,770	20,855,759	1.25	1.64
2033	34,306,897	20,152,587	605,000	1.42%	124,286	729,286	20,881,873	1.25	1.64
2034	34,306,897	20,161,722	615,000	1.42%	115,624	730,624	20,892,346	1.25	1.64
2035	34,306,897	17,021,069	630,000	1.42%	106,784	736,784	17,757,853	1.25	1.93
2036	34,306,897	17,045,855	645,000	1.42%	97,732	742,732	17,788,587	1.25	1.93
2037	34,306,897	17,063,507	660,000	1.42%	88,466	748,466	17,811,973	1.25	1.93
2038	34,306,897	17,089,304	675,000	1.42%	78,988	753,988	17,843,292	1.25	1.92
2039	34,306,897	17,114,184	695,000	1.42%	69,261	764,261	17,878,445	1.25	1.92
2040	34,306,897	17,130,647	710,000	1.42%	59,285	769,285	17,899,932	1.25	1.92
2041	34,306,897	14,144,373	725,000	1.42%	49,097	774,097	14,918,470	1.25	2.30
2042	34,306,897	8,819,175	745,000	1.42%	38,660	783,660	9,602,835	1.25	3.57
2043	34,306,897	6,995,991	765,000	1.42%	27,939	792,939	7,788,930	1.25	4.40
2044	34,306,897	2,754,182	785,000	1.42%	16,934	801,934	3,556,116	1.25	9.65
2045	34,306,897	2,074,186	800,000	1.42%	5,680	805,680	2,879,866	1.25	11.91
		\$ 577,051,966	\$ 18,000,000		\$ 4,052,396	\$ 22,052,396	\$ 599,104,362		

AVERAGE (MATURITY) LIFE	16.3 YEARS
NET INTEREST RATE	1.420%
COST SAVINGS	\$ 3,440,000
AVERAGE ANNUAL REQUIREMENT	\$19,970,145

Laredo
Engineering and Environmental Review

Engineering:Key Issues

This funding request is for construction only. The planning, acquisition, and design will be funded by the City. Any additional construction costs will also be paid by the City; thus, the City's budget does not include a contingency line item.

Project Need / Description

Need:

To alleviate the existing overloaded and flood-prone Zacate Creek wastewater treatment plant that is located in the south side of the City, wastewater flows from the northwest and northeast areas of the City will be diverted to the proposed new wastewater treatment plant. The new wastewater treatment plant will provide future capacity and availability for the expanding population within these areas.

Project Description:

The City plans to construct a new 1.75 million gallons per day (mgd) wastewater treatment plant in the Sombretillo Creek service area in the northwest area of the City. The current project will also include construction of a lift station and necessary appurtenances, as well as other eligible wastewater system improvements. Through future phases, the City plans to expand the plant to 6.0 mgd.

Project Schedule

Project Task	Schedule Date
Closing	11/30/2015
Start of Construction	01/15/2016
Construction Completion	01/15/2018

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 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. A subsequent Affirmation of Commitment will be necessary for this loan in order to comply with the National Environmental Policy Act.

Laredo
73691 - Sombrerito Creek WWTP

Budget Items	TWDB Funds	Local & Other Funds	Total Cost
Construction			
Construction	\$17,216,835	\$0	\$17,216,835
Construction Total	\$17,216,835	\$0	\$17,216,835
Basic Engineering Services			
Design	\$0	\$1,813,400	\$1,813,400
Basic Engineering Services Total	\$0	\$1,813,400	\$1,813,400
Special Services			
Testing	\$0	\$250,000	\$250,000
Special Services Total	\$0	\$250,000	\$250,000
Fiscal Services			
Bond Reserve Fund	\$455,464	\$0	\$455,464
Fiscal/Legal	\$750	\$0	\$750
Loan Origination Fee	\$326,951	\$0	\$326,951
Fiscal Services Total	\$783,165	\$0	\$783,165
Grand Total	\$18,000,000	\$2,063,400	\$20,063,400

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TWDB RESOLUTION NO. 14-68
TO INCREASE THE COMMITMENT FOR THE \$10,000,000 CITY OF LAREDO,
TEXAS WATERWORKS AND SEWER SYSTEM SUBORDINATE LIEN REVENUE
BONDS, PROPOSED SERIES 2015 TO BE ISSUED BY CITY OF LAREDO, TEXAS
AND TO EXTEND THE COMMITMENT PERIOD

(15-)

WHEREAS, at its August 13, 2014 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 14-68, made a commitment to provide financial assistance to the City of Laredo (City) for the purpose of financing improvements to the City's wastewater system in the amount of \$10,000,000, consisting of the TWDB's purchase of \$10,000,000 City of Laredo, Texas Waterworks and Sewer System Subordinate Lien Revenue Bonds, Proposed Series 2015, 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 April 21, 2015, the City requested that the TWDB amend TWDB Resolution No. 14-68, to increase the commitment from \$10,000,000 to \$18,000,000; and

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

WHEREAS, the TWDB hereby finds that granting an extension of six (6) months to ensure the City has adequate time to close on the amended commitment is in the public interest; 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 made by the TWDB to the City of Laredo for financial assistance in the amount of \$10,000,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$10,000,000 City of Laredo, Texas Waterworks and Sewer System Subordinate Lien Revenue Bonds, Proposed Series 2015 is increased by an additional \$8,000,000, for a total commitment of \$18,000,000;
2. 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;

3. Prior to the release of funds, the City shall submit 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;
4. The commitment is further amended to extend the commitment to February 29, 2016; and
5. All other terms and conditions of TWDB Resolution No. 14-68 shall remain in full force and effect.

APPROVED and ordered of record this the 16th day of June, 2015.

TEXAS WATER DEVELOPMENT BOARD

Carlos Rubinstein, Chairman

DATE SIGNED: _____

ATTEST:

Kevin Patteson
Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$10,000,000 TO CITY OF LAREDO
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$10,000,000 CITY OF LAREDO, TEXAS WATERWORKS AND SEWER SYSTEM
SUBORDINATE LIEN REVENUE BONDS, PROPOSED SERIES 2014

(14-68)

WHEREAS, the City of Laredo, located in Webb County, Texas (City) has filed an application for financial assistance in the amount of \$10,000,000 from the Clean Water State Revolving Fund (CWSRF) to finance the construction of certain wastewater system improvements identified as Project No. 73691; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$10,000,000 City of Laredo, Texas Waterworks and Sewer System Subordinate Lien Revenue Bonds, Proposed Series 2014 (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 subordinate lien on the City's combined waterworks and sewer system net 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 Laredo for financial assistance in the amount of \$10,000,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$10,000,000 City of Laredo, Texas Waterworks and Sewer System Subordinate Lien Revenue Bonds, Proposed Series 2014. This commitment will expire on August 31, 2015.

Such commitment is conditioned as follows:

Standard Conditions

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the City;
3. this commitment is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 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;

Clean Water State Revolving Fund Conditions

30. prior to or at closing, the City 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;

Pledge Conditions For The Loan

32. 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;
33. 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;
34. the Obligations must contain a provision providing that no installment or series of Additional Bonds shall be issued unless
 - a. a certificate is executed by the Mayor and City Secretary of the Issuer to the effect that no default exists in connection with any of the covenants or requirements of the ordinance authorizing the issuance of all then outstanding Bonds and Additional Bonds;
 - b. a certificate is executed by the Mayor and City Secretary of the Issuer to the effect that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be on deposit therein;
 - c. a certificate is executed by an independent certified public account, to the effect that, in his or its opinion, the Net Revenues of the System for the last complete fiscal year of the Issuer, or for any twelve consecutive calendar month period ending not more than ninety days prior to the passage of the ordinance authorizing the issuance of such Additional Bonds were at least 1.25 times the average annual principal and interest requirements for all then outstanding First Lien Bonds, Outstanding Subordinate Bonds, and all Outstanding Subordinate Waterworks and Sewer System Revenue Bonds and any Additional Bonds issued pursuant to this Ordinance;
 - d. the ordinance authorizing the issuance of such installment or series of Additional Bonds provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased by an additional amount not less than the average annual principal and interest requirements for said Additional Bonds; and that such additional amount shall be so accumulated within 60 months from the date of the Additional Bonds, by the deposit in the Reserve Fund of the necessary sums in equal monthly installments; provided, however, that the aggregate amount to be accumulated in the Reserve Fund shall never be required to exceed the average annual principal and interest requirements for all then Outstanding Subordinate Waterworks and Sewer System Revenue Bonds and for the installment or series of Additional Bonds then proposed to be issued; and

- e. All calculations of average annual principal and interest requirements made pursuant to this Section are made as of and from the date of the bonds then proposed to be issued.

APPROVED and ordered of record this 13th day of August, 2014.

TEXAS WATER DEVELOPMENT BOARD



Carlos Rubinstein, Chairman

DATE SIGNED: _____

8-18-14

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 Laredo, Webb County

