

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 23, 2015

TEAM MANAGER: Clay Schultz

APPLICANT	City of Fort Worth
TYPE OF ASSISTANCE	\$13,000,000 Series 2015 Loan \$63,000,000 Series 2017 Loan
LEGAL PLEDGE	First Lien on the Net Revenues of the Water and Sewer System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve, by resolution, a request from the **City of Fort Worth (Tarrant, Denton, Johnson, Parker, and Wise Counties)** for a \$76,000,000 multi-year loan commitment from the State Water Implementation Revenue Fund for Texas to finance planning and construction costs associated with implementation of an Advanced Metering Infrastructure System.

PROJECT

Conservation-Advanced Metering Infrastructure Project
Project Number 51014

BACKGROUND

Passed by the 83rd Legislature and approved by Texas voters through a constitutional amendment, the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas (SWIRFT) were created to provide affordable, alternative financing options to develop projects that are recommended water management strategies in the State Water Plan. The program, referred to as SWIFT, provides financing through low-interest loans, deferral of loan repayments, and incremental repurchase terms for projects with state ownership aspects. All SWIFT projects presented for consideration have been prioritized based on criteria outlined in Texas Administrative Code Title 31 §363.1304 and are included on the prioritized list of projects approved by the Board on May 6, 2015.

The City of Fort Worth (City) owns and maintains approximately 240,000 water meters, which are currently read manually. Residential meters are read by a third party service provider and commercial and industrial meters are read by City staff through a combination of meter reading systems.

The Fort Worth Water Department (Department) has identified improvements in meter management and service order management as its most immediate objectives.

Multi-Year Commitment	Expiration Date
\$13,000,000 Series 2015B	December 31, 2015
\$63,000,000 Series 2017	December 31, 2017

The Department has developed strategic goals which include adopting best practices in the following areas:

- Develop and implement strategies for implementing Advanced Metering Infrastructure (AMI) technology to improve customer management and utility operations efficiencies;
- Update meter specifications to include requirements for future migration to AMI with minimum cost;
- Develop and implement a meter testing program to verify that meter accuracies are within specified American Water Works Association limits;
- Implement a new Mobile Workforce Management technology or expand the use of Maximo to automate the work order management process;
- Build interfaces for information sharing to facilitate work order management and transparency; and,
- Develop management reports to manage operations and analyze trends for process improvements.

The implementation of the AMI program along with an automated leak detection system will allow the City to conserve additional water, enhance efficiency, produce operational cost savings, and provide a higher level of customer service.

FINANCIAL

Key Issues

None.

Multi-Year Commitment

The SWIFT program has the ability to offer applicants multi-year commitments. This flexibility allows the Texas Water Development Board to manage program demand while allowing the applicant to fund large projects over time. Each annual commitment installment will have its own expiration date and the applicable subsidy rate will be applied for up to five years only.

The City has requested a multi-year commitment over a period of three years, 2015 through 2017. The City will receive a subsidy rate of 35.5% due to the requested 15-year repayment schedules.

Pledge and Repayment

The City is pledging a first lien on the net revenues of the water and sewer system to repay the proposed debt. The City's combined average monthly water and sewer bill is approximately \$57. A rate increase was implemented in January 2015. Current rates and charges are sufficient to meet existing and proposed debt service requirements for the total requested amount.

Cost Savings

Based on a 15-year maturity schedule, current interest rates, and a loan amount of \$13,000,000 for the Series 2015 bonds, the City could save approximately \$1,065,000 over the life of the loan.

Internal Risk Score

Staff assigns a 2B to the City and the proposed project to be funded by the Texas Water Development Board. 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 median household income is \$51,105, which is slightly below the median for the State overall of \$51,900. The City's 6.2% unemployment rate is above the State's 4.1% unemployment rate. Sales tax collections have increased by over 6% over the last year.

The City's service area includes a diverse customer base (both retail and wholesale customers) with a total population estimate of 1.1 million. Total connections have increased by approximately 3% over the last year. Despite the recent rate increase, the City continues to maintain relatively low rates for a large urban system. Currently, the average water and sewer bill represents approximately 1.34% of the median household income, which is lower than the 2% benchmark for assessing affordability of rates.

Including the total proposed financing, total debt per capita is approximately \$1,800. This is considered a moderate level of debt. The City utilizes a comprehensive, formal five-year Capital Improvement Plan that it updates annually, and maintains an operating reserve of 20% of the current year's budget for operation and maintenance expenses. The City's healthy financial condition and affordable rates support the 2B risk rating.

LEGAL

Key Issues

None.

Conditions

Standard SWIFT, tax-exempt, net revenue conditions and further conditioned as follows:

- 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

Responsible Authority	City of Fort Worth
Program	State Water Implementation Fund for Texas-SWIFT
Commitment Codes	Series 2015-LM15016 Series 2017-LM17016
Project Number	51014
Intended Use Plan Year	N/A
Fund Number	361
Type of Pledge	2-Revenue
Revenue Pledge Level	First
Legal Description	\$13,000,000 Water and Sewer System Revenue Bonds, Proposed Series 2015B \$63,000,000 Water and Sewer System Revenue Bonds, Proposed Series 2017
Tax-Exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	N/A
Population	1,185,739
Rural	No
Water Connections	257,390
Wastewater Connections	257,390
Qualifies as Disadvantaged	No
Disadvantaged Level	9 - NA
Clean Water State Revolving Fund Type	N/A
Financial, Managerial and Technical Review Complete?	N/A
SWIFT Financing Type	Low-Interest Loan
SWIFT Characteristic	Conservation
Phase Committing	Planning and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings	
Standard and Poor's	AA
Moody's	Aa1
Fitch	AA
Special Issues	Multi-year Funding Requested for SWIFT

Project Team

Team Manager	Clay Schultz
Financial Analyst	Maxine Gilford
Engineering Reviewer	David Firgens
Environmental Reviewer	William Alfaro
Attorney	Alexis Lorick

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Fort Worth

\$13,000,000 Water and Sewer System Revenue Bonds, Proposed Series 2015

Dated Date: 12/1/2015 Source: SWIFT-LOW
 Delivery Date: 12/1/2015 Insurance: No
 First Interest: 8/15/2016 Case: Revenue Only
 First Principal: 2/15/2017 Admin.Fee: N/A
 Last Principal: 2/15/2031 Admin Fee
 Fiscal Year End: 09/30 Payment Date: N/A
 Required Coverage: 1.0

\$63,000,000 Water and Sewer System Revenue Bonds, Proposed Series 2017

Dated Date: 12/1/2017 Source: SWIFT-LOW
 Delivery Date: 12/1/2017 Insurance: No
 First Interest: 8/15/2018 Case: Revenue Only
 First Principal: 2/15/2019 Admin.Fee: N/A
 Last Principal: 2/15/2033 Admin Fee
 Fiscal Year End: 9/30 Payment Date: N/A
 Required Coverage: 1.0

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$13,000,000 ISSUE				\$63,000,000 ISSUE				TOTAL DEBT SERVICE	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2016	141,182,000	97,259,226	-		151,243	151,243	-	-	-	-	97,410,469	1.45
2017	141,182,000	93,941,240	730,000	0.602%	212,163	942,163	-	-	-	-	94,883,403	1.49
2018	141,182,000	93,942,986	745,000	0.770%	207,097	952,097	-	836,283	836,283	836,283	95,731,366	1.47
2019	141,182,000	84,191,809	765,000	0.905%	200,767	965,767	3,530,000	0.905%	1,169,310	4,699,310	89,856,886	1.57
2020	141,182,000	75,164,549	785,000	1.073%	193,094	978,094	3,615,000	1.073%	1,133,942	4,748,942	80,891,585	1.75
2021	141,182,000	66,145,331	800,000	1.247%	183,894	983,894	3,705,000	1.247%	1,091,447	4,796,447	71,925,672	1.96
2022	141,182,000	66,136,459	820,000	1.428%	173,052	993,052	3,795,000	1.428%	1,041,250	4,836,250	71,965,760	1.96
2023	141,182,000	59,649,566	840,000	1.524%	160,796	1,000,796	3,885,000	1.524%	984,550	4,869,550	65,519,912	2.15
2024	141,182,000	55,779,846	860,000	1.602%	147,507	1,007,507	3,980,000	1.602%	923,066	4,903,066	61,690,419	2.29
2025	141,182,000	52,105,046	885,000	1.686%	133,157	1,018,157	4,075,000	1.686%	856,834	4,931,834	58,055,038	2.43
2026	141,182,000	43,771,190	905,000	1.878%	117,199	1,022,199	4,175,000	1.878%	783,279	4,958,279	49,751,668	2.84
2027	141,182,000	43,779,338	925,000	2.029%	99,317	1,024,317	4,275,000	2.029%	700,706	4,975,706	49,779,361	2.84
2028	141,182,000	30,314,783	950,000	2.154%	79,701	1,029,701	4,380,000	2.154%	610,163	4,990,163	36,334,647	3.89
2029	141,182,000	30,331,384	970,000	2.243%	58,591	1,028,591	4,485,000	2.243%	512,691	4,997,691	36,357,667	3.88
2030	141,182,000	30,356,793	995,000	2.327%	36,136	1,031,136	4,595,000	2.327%	408,929	5,003,929	36,391,858	3.88
2031	141,182,000	21,913,689	1,025,000	2.396%	12,280	1,037,280	4,705,000	2.396%	299,101	5,004,101	27,955,069	5.05
2032	141,182,000	14,930,213	-	-	-	-	4,820,000	2.453%	183,617	5,003,617	19,933,830	7.08
2033	141,182,000	14,920,310	-	-	-	-	4,980,000	2.500%	62,250	5,042,250	19,962,560	7.07
		\$ 1,381,043,398	\$ 13,000,000		\$ 2,165,993	\$ 15,165,993	\$ 63,000,000		\$ 11,597,418	\$ 74,597,418	\$ 1,470,806,809	

\$13,000,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	8.65 YEARS
NET INTEREST RATE	1.925%
COST SAVINGS	\$1,065,000
AVERAGE ANNUAL REQUIREMENT	\$947,875

\$63,000,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	8.66 YEARS
NET INTEREST RATE	2.127%
AVERAGE ANNUAL REQUIREMENT	\$4,662,339

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$81,711,489

Fort Worth
Engineering and Environmental Review

Engineering:Key Issues

None.

Project Need / Description

Need: During 2015, the City of Fort Worth (City) is completing a preliminary assessment to identify opportunities to reduce water loss and increase revenue through the implementation of an Advanced Metering Infrastructure (AMI) system.

Project Description: The City is requesting planning and construction funds to implement a full-scale AMI project along with an automated leak detection system. The proposed project will enhance the City's water conservation efforts and allow the City to provide a higher level of customer service. An annual volume of approximately 9,450 acre-feet/year is anticipated to be saved as a result of the project.

Project Schedule

Project Task	Schedule Date
Closing	12/1/2015
Engineering Feasibility Report Completion (End of Planning Phase)	10/31/2016
Design Phase Complete	12/30/2016
Start of Construction	2/28/2017
Construction Completion	12/31/2020

Environmental:Key Issues

None known at this time.

Environmental Summary

A Determination of No Effect for this project was issued on June 30, 2015. As required by 31 Texas Administrative Code §363.14, environmental review of the proposed project has been completed.

Fort Worth
51014 - Conservation - Advanced Metering Infrastructure

Budget Items	TWDB Funds	Total Cost
Construction		
Construction	\$58,736,207	\$58,736,207
Construction Total	\$58,736,207	\$58,736,207
Basic Engineering Services		
Planning	\$948,000	\$948,000
Basic Engineering Services Total	\$948,000	\$948,000
Special Services		
Pilot Testing	\$11,055,793	\$11,055,793
Project Management (by engineer)	\$240,000	\$240,000
Special Services Total	\$11,295,793	\$11,295,793
Contingency		
Contingency	\$1,520,000	\$1,520,000
Contingency Total	\$1,520,000	\$1,520,000
Fiscal Services		
Bond Counsel	\$84,000	\$84,000
Bond Reserve Fund	\$3,173,000	\$3,173,000
Financial Advisor	\$127,000	\$127,000
Issuance Costs	\$116,000	\$116,000
Fiscal Services Total	\$3,500,000	\$3,500,000
Grand Total	\$76,000,000	\$76,000,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
TO THE CITY OF FORT WORTH
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF
\$76,000,000 CITY OF FORT WORTH, TEXAS WATER AND SEWER SYSTEM REVENUE
BONDS, PROPOSED SERIES 2015B AND PROPOSED SERIES 2017

(15-)

WHEREAS, the City of Fort Worth, located in Tarrant County, Texas, (City) has filed an application for financial assistance in the amount of \$76,000,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT), to finance the planning and construction of certain water supply project(s) identified as Project No. 51014; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) in the form of a multi-year commitment through the TWDB's proposed purchase of \$76,000,000 City of Fort Worth, Texas Water and Sewer System Revenue Bonds, Proposed Series 2015B and Proposed Series 2017 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff; and

WHEREAS, the City has offered a pledge of net systems revenue as sufficient security for the repayment of the Obligations; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 363.1307; and

WHEREAS, interest rate subsidies are available to the City at the following levels: 35.5% for loans of a term of 20 years, 27% for loans of a term of 25 years, and 22% for loans of a term of 30 years. The interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the City, pursuant to this Resolution; and

WHEREAS, the TWDB has carefully considered all matters required by law and in particular whether the project as set forth in the application meets the criteria provided by Texas Water Code § 15.434(b); and

WHEREAS, the TWDB hereby finds:

1. that the application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M;

2. that the project is a recommended water management strategy in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
3. that a water conservation plan, if required by Texas Water Code § 11.1271, has been submitted and implemented in accordance with 31 TAC § 363.1309(b)(1);
4. that the City satisfactorily completed any request by the Executive Administrator or a regional planning group for information relevant to the project, including a water infrastructure financing survey under Texas Water Code § 16.053(q), in accordance with 31 TAC § 363.1309(b)(2);
5. that the current water audit, if required by Texas Water Code § 16.0121, has been completed by the City and filed with the TWDB in accordance with 31 TAC § 358.6;
6. that the City has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises, and any applicable state law relating to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3); and
7. that the Executive Administrator issued a favorable environmental determination on June 30, 2015, such findings being subject to the standard emergency discovery conditions for threatened and endangered species and cultural resources in the Project contract documents. The TWDB concurs with the environmental finding issued by the Executive Administrator.

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

A commitment is made by the TWDB to City of Fort Worth for financial assistance in the amount of \$76,000,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of City of Fort Worth, Texas Water and Sewer System Revenue Bonds as follows:

- a) \$13,000,000 City of Fort Worth, Texas Water and Sewer System Revenue Bonds Proposed Series 2015B, to expire on December 31, 2015; and
- b) \$63,000,000 of City of Fort Worth, Texas Water and Sewer System Revenue Bonds Proposed Series 2017, to expire on December 31, 2017.

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 continued compliance with all applicable laws, rules, policies and guidance as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement;
4. this commitment is contingent upon the City executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement;
5. the City shall use a paying agent/registrar in accordance with 31 TAC Section 363.42(c)(2), and shall require the paying agent/registrar to provide a copy, to the TWDB and to the TWDB's designated Trustee, of all receipts documenting debt service payments;

The Following Conditions Must Be Included in the Obligations:

6. 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;
7. the Obligations must include a provision wherein 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;
8. 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;
9. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of

the project for the following purposes as approved by the Executive Administrator: (1) 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 (2) eligible costs for the project as authorized by the Executive Administrator;

10. 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;
11. 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;
12. 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, recycling 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;
13. the Obligations must include a provision stating that the City shall report to the TWDB the amounts of project funds, if any, that were used to compensate historically underutilized businesses that worked on the project, in accordance with 31 TAC § 363.1312;
14. the Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry form in accordance with 31 TAC Section 363.42(c)(1);
15. 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 as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
16. 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;
17. 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;

18. 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;
19. 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;
20. 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;

Revenue Pledge

21. the Obligations must require the accumulation of a reserve fund from Bond Proceeds at closing equal to the greater of 50% of the average annual debt service requirements of the parity obligations then outstanding or 37.5% of the annual debt service requirements of the parity obligations to be outstanding in the fiscal year during which the annual debt service requirements are scheduled to be the greatest, to the extent such parity obligations are to be secured by the reserve fund;
22. 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 Obligations must contain a provision providing that 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;
23. the Obligations must contain a provision providing that additional parity obligations may only be incurred if a certified public accountant certifies that, in their opinion, during either the last completed fiscal year or any 12 consecutive calendar month period ending not more than ninety (90) days preceding the date of the additional parity obligations, the net system revenues were at least (a) 1.25 times the average annual debt service requirements and (b) 1.10 times the annual debt service requirements of the parity obligations to be outstanding in the fiscal year during which such annual debt service requirements are scheduled to be the greatest, after giving effect to the additional parity obligations;

Conditions to Close or for Release of Funds:

24. 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;

25. prior to closing, if applicable, 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;
26. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the City shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
27. prior to release of funds for construction, the City must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the City has the legal authority necessary to complete the acquisitions;
28. prior to release of funds for construction for specific project elements, the environmental review must be completed and a favorable environmental finding must have been issued;
29. prior to closing, 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;
30. prior to closing, the City's bond counsel must prepare a written opinion that also states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion;
31. 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;
32. 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;

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

Special Condition:

33. 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, the 23rd day of July, 2015.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, 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:

Total water loss (GPCD): _____ Total water loss (percent): _____ Wholesale Water
 Total no. of connections: _____ Length of mains (miles): _____ Connections per mile: _____
 If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): _____

WATER LOSS THRESHOLDS:

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :						
If population ≤ 10K, connections/mile ≥ 32 :						
If population > 10K :						

Does the applicant meet Water Loss Threshold requirements? Yes No NA

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 formally 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.

Best Management Practices are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

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.

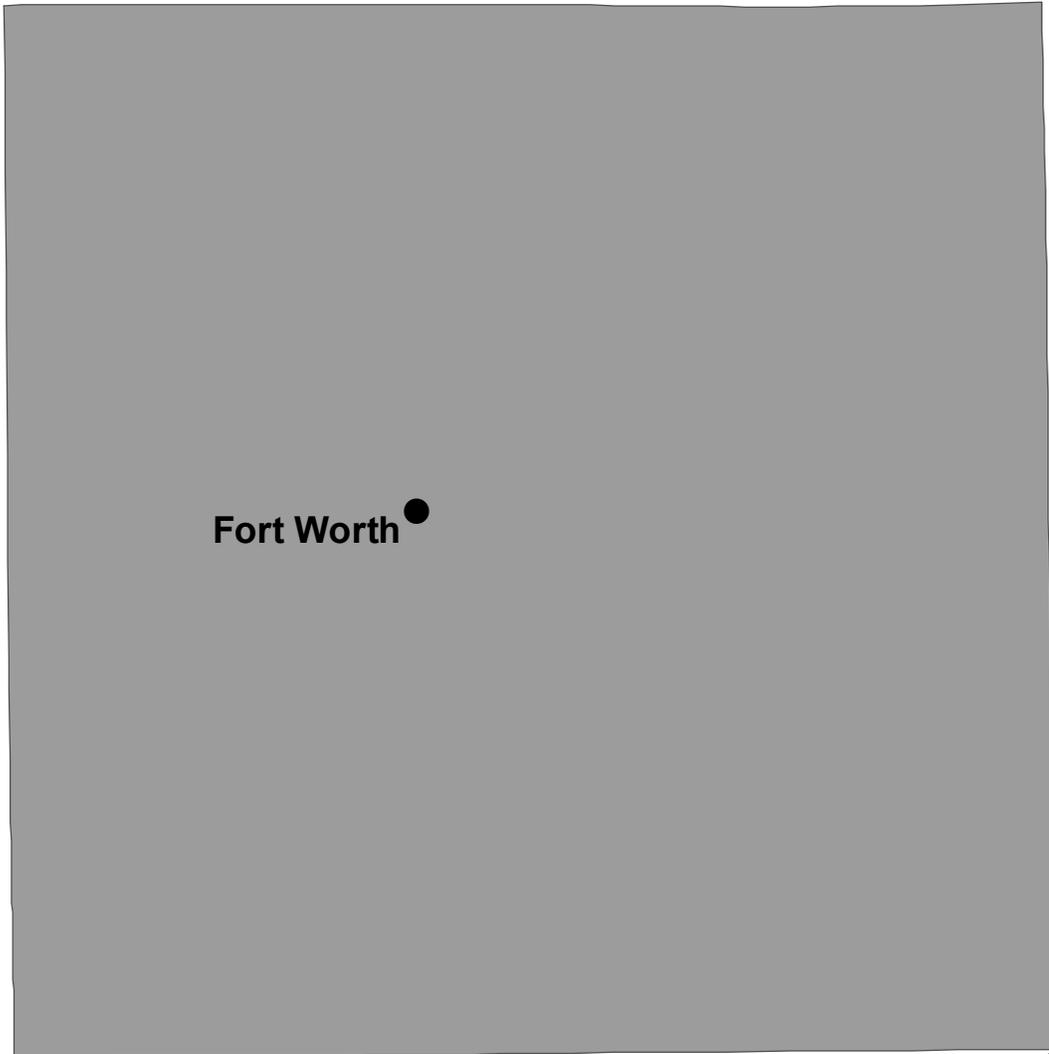
Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

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

Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

Water Loss Thresholds are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

City of Fort Worth, Tarrant County



Fort Worth ●

