

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: August 26, 2015

TEAM MANAGER: Luis Farias

<b>APPLICANT</b>	City of Alba
<b>TYPE OF ASSISTANCE</b>	\$840,000 Loan
<b>LEGAL PLEDGE</b>	Ad Valorem Tax and Surplus Revenues of the Waterworks and Sewer System

### STAFF RECOMMENDATION

Approve       No Action

### ACTION REQUESTED

Approve, by resolution, a request from the **City of Alba (Wood County)** for a \$840,000 loan from the Texas Water Development Fund to finance the planning, design, and construction related to the rehabilitation of the existing wastewater treatment plant.

### PROJECT

Wastewater Treatment Plant Improvements  
Project Number 21756

### BACKGROUND

The City of Alba's (City) operates an aging and deteriorating wastewater treatment plant. The plant does not meet effluent limitations for dissolved oxygen, and disinfection for compliance with fecal coliform limits. The City is requesting funds for rehabilitation of the existing wastewater treatment plant, including removal of excess vegetation and sludge, as well as adding floating aerators to help meet effluent limitations for dissolved oxygen, and disinfection for compliance with fecal coliform limits.

### FINANCIAL

#### Key Issues

None.

#### Pledge and Repayment

The City is pledging ad valorem taxes and surplus revenues for the repayment of the proposed loan. The City's current combined average monthly water and wastewater rate is \$74.17. Based on staff's analysis of financial documentation received, current system revenues are 72% of the proposed debt service in 2016. The City has \$1,050,000 of debt outstanding, and collects an interest and sinking fund tax rate of \$0.3428. Based on a conservative estimate, in order to

<b>COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE AUGUST 31, 2016</b>
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generate sufficient revenues to meet the proposed debt service, the City will need to increase the tax rate by approximately \$0.09 in 2017. Without an increase in the total assessed valuation, small, incremental tax rate increases may be required over the life of the loan with a maximum tax rate of \$0.458 in 2036. The total tax rate increase of \$0.1152 would generate approximately \$22,000 of additional revenue annually, assuming a tax collection rate of 90%. Alternately, the City could increase monthly utility rates by \$5.21 which would also generate \$22,000 annually.

#### Cost Savings

Based on a 20 year maturity schedule and current interest rates, the City could save approximately \$23,787 over the life of the loan by utilizing TWDB funding.

#### Internal Risk Score

Staff assigns a 2C to the City, and the proposed project to be funded by the Texas Water Development Board. A risk score of 2C means that the applicant's repayment capacity is sufficient to cover the existing and proposed debt.

The City's results on socioeconomic indicators are lower than the State overall. The City's population has increased at an average annual rate of 0.72% from 2004 to 2013, compared to a rate of 2% for the population of the State of Texas overall during the same period. The City's median household income is \$30,625, which is 59% of the median for the State of Texas overall. The unemployment rate for Wood County, where the City is located, was 5.0% in May 2015, compared to 4.1% in the State of Texas overall, and the national rate of 5.3%.

The City's current outstanding per capita debt totals \$2,091, and would increase to \$3,765 with the proposed financing. This is considered to be a high level of debt for a city of this size. The City's assessed valuation has steadily increased over the last five years, and the tax collection rate is high.

The results of the City's financial indicators are mixed. The City maintains approximately 180 days of cash on hand and unrestricted net assets of the water and sewer fund represent over 12 months of operating expenses. This is a high level of liquidity. However, the small system has experienced only slight growth in connections over the last five years. In addition, the combined water and wastewater household cost factor of 2.91% is high based on the board's 2% benchmark.

The City's socioeconomic indicators are weaker than the State's; however, the City has good liquidity and has a history of adjusting rates regularly. The City is assigned a risk score of 2C.

**LEGAL**

Key Issues

None

Conditions

Standard Water Development Fund tax-exempt, and tax and surplus revenue 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

<b>Responsible Authority</b>	City of Alba
<b>Program (Spell Out)</b>	Water Development Fund
<b>Commitment Codes</b>	L1000452
<b>Project Number</b>	21756- WWTP Improvements
<b>Intended Use Plan Year</b>	N/A
<b>Fund Number</b>	371
<b>Type of Pledge</b>	3- Combo Tax & Rev
<b>Revenue Pledge Level</b>	Third
<b>Legal Description</b>	\$840,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015
<b>Tax-Exempt or Taxable</b>	Tax-Exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	No
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	N/A
<b>Population</b>	502
<b>Rural</b>	Yes
<b>Water Connections</b>	354
<b>Wastewater Connections</b>	257
<b>Qualifies as Disadvantaged</b>	No
<b>Disadvantaged Level</b>	9 – N/A
<b>Clean Water State Revolving Fund Type</b>	N/A
<b>Financial, Managerial and Technical Review Complete?</b>	N/A
<b>SWIFT Financing Type</b>	N/A
<b>SWIFT Project Type</b>	N/A
<b>Phase Committing</b>	P, D, C
<b>Pre-Design</b>	Yes
<b>Project Consistent with Water Plan</b>	N/A
<b>Water Conservation Plan</b>	Adopted
<b>Water Rights Certification Required</b>	No
<b>Internal Risk Score</b>	2C
<b>External Ratings</b>	
<b>Standard and Poor's</b>	Non-Rated
<b>Moody's</b>	Non-Rated
<b>Fitch</b>	Non-Rated
<b>Special Issues</b>	None

### Project Team

Team Manager	Luis Farias
Financial Analyst	Ben Munguia
Engineering Reviewer	Joe Koen
Environmental Reviewer	Kathy Calnan
Attorney	Annette Mass

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
City of Alba

Attachment 2

**City of Alba, Texas Combination Tax and Surplus Revenue  
Certificates of Obligation, Series 2015**

**Dated Date:** 12/1/2015  
**Delivery Date:** 12/1/2015  
**First Interest:** 2/15/2016  
**First Principal:** 2/15/2017  
**Last Principal:** 2/15/2036  
**Fiscal Year End:** 09/30  
**Required Coverage:** 1.1

**Source:** WDF  
**Rate:** 3.69%  
**Insurance:** No  
**Case:** System Revenues  
**Admin.Fee:** \$ -  
**Admin. Fee Payment Date:** N/A  
**Total Assessed Valuation:** \$21,391,944

FISCAL YEAR	REQUIRED TAX REVENUES		PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$840,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
	TAX RATE	WITH COLL. @ 90%						INTEREST PAYMENT	TOTAL PAYMENT		
2016	0.343	65,998	67,471	133,469	71,870	-	3.69%	21,869	21,869	93,739	1.42
2017	0.431	82,892	67,471	150,363	76,252	30,000	3.69%	30,443	60,443	136,694	1.10
2018	0.419	80,756	67,471	148,227	75,417	30,000	3.69%	29,336	59,336	134,752	1.10
2019	0.408	78,579	67,471	146,050	74,544	30,000	3.69%	28,229	58,229	132,773	1.10
2020	0.396	76,333	67,471	143,804	73,609	30,000	3.69%	27,122	57,122	130,731	1.10
2021	0.441	84,875	67,471	152,346	77,574	35,000	3.69%	25,922	60,922	138,496	1.10
2022	0.426	82,022	67,471	149,493	76,272	35,000	3.69%	24,631	59,631	135,903	1.10
2023	0.411	79,120	67,471	146,591	74,925	35,000	3.69%	23,339	58,339	133,264	1.10
2024	0.452	87,066	67,471	154,537	78,533	40,000	3.69%	21,956	61,956	140,489	1.10
2025	0.434	83,637	67,471	151,108	76,892	40,000	3.69%	20,480	60,480	137,371	1.10
2026	0.416	80,131	67,471	147,602	75,180	40,000	3.69%	19,004	59,004	134,184	1.10
2027	0.426	82,086	67,471	149,557	78,434	40,000	3.69%	17,528	57,528	135,961	1.10
2028	0.434	83,621	67,471	151,092	76,398	45,000	3.69%	15,959	60,959	137,357	1.10
2029	0.413	79,533	67,471	147,004	74,342	45,000	3.69%	14,299	59,299	133,640	1.10
2030	0.420	80,923	67,471	148,394	77,266	45,000	3.69%	12,638	57,638	134,904	1.10
2031	0.454	87,401	67,471	154,872	79,908	50,000	3.69%	10,886	60,886	140,793	1.10
2032	0.428	82,462	67,471	149,933	77,263	50,000	3.69%	9,041	59,041	136,303	1.10
2033	0.431	82,996	67,471	150,467	79,593	50,000	3.69%	7,196	57,196	136,788	1.10
2034	0.431	83,074	67,471	150,545	76,601	55,000	3.69%	5,258	60,258	136,859	1.10
2035	0.431	83,050	67,471	150,521	78,609	55,000	3.69%	3,229	58,229	136,837	1.10
2036	0.458	88,126	67,471	155,597	80,345	60,000	3.69%	1,107	61,107	141,452	1.10
				\$ 3,131,573	\$ 1,609,820	\$ 840,000		\$ 369,467	\$ 1,209,467	\$ 2,819,287	

<b>AVERAGE (MATURITY) LIFE</b>	<b>11.92 YEARS</b>
<b>NET INTEREST RATE</b>	<b>3.690%</b>
<b>COST SAVINGS</b>	<b>\$ 23,787</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$134,252</b>

**Alba**  
**Engineering and Environmental Review**

**Engineering:**Key Issues

None

Project Need / Description

Need: The City of Alba (City) operates an aging and deteriorating wastewater treatment plant. The plant does not meet effluent limitations for dissolved oxygen, and disinfection for compliance with fecal coliform limits.

Project Description: The City is seeking funding from the Texas Water Development Fund for the planning, design, and construction phase for the purpose of rehabilitation of the existing wastewater treatment plant, including removal of excess vegetation and sludge. Floating aerators will be added to help meet effluent limitations for dissolved oxygen, and disinfection for compliance for fecal coliform limits.

Project Schedule

<b>Project Task</b>	<b>Schedule Date</b>
Engineering Feasibility Report Completion (End of Planning Phase)	11/30/2015
Closing	12/1/2015
Design Phase Complete	12/31/2015
Start of Construction	1/29/2016
Construction Completion	7/31/2016

**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 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 §363.14 all financial assistance shall be conditioned to read that funding for design and construction costs for specific project elements will not be released until the environmental review has been completed and a favorable environmental determination has been issued.

**Alba**  
**21756 - WWTP Improvements**

Budget Items	TWDB Funds	Local & Other Funds	Total Cost
<b>Construction</b>			
Construction	\$598,430	\$0	\$598,430
<b>Construction Total</b>	<b>\$598,430</b>	<b>\$0</b>	<b>\$598,430</b>
<b>Basic Engineering Services</b>			
Construction Engineering	\$30,888	\$0	\$30,888
Design	\$40,000	\$0	\$40,000
Planning	\$31,000	\$0	\$31,000
<b>Basic Engineering Services Total</b>	<b>\$101,888</b>	<b>\$0</b>	<b>\$101,888</b>
<b>Special Services</b>			
Inspection	\$25,000	\$0	\$25,000
Permits	\$10,000	\$0	\$10,000
Testing	\$5,000	\$0	\$5,000
<b>Special Services Total</b>	<b>\$40,000</b>	<b>\$0</b>	<b>\$40,000</b>
<b>Contingency</b>			
Contingency	\$52,432	\$0	\$52,432
<b>Contingency Total</b>	<b>\$52,432</b>	<b>\$0</b>	<b>\$52,432</b>
<b>Fiscal Services</b>			
Bond Counsel	\$18,000	\$0	\$18,000
Financial Advisor	\$23,500	\$0	\$23,500
Fiscal/Legal	\$750	\$0	\$750
Issuance Costs	\$5,000	\$0	\$5,000
<b>Fiscal Services Total</b>	<b>\$47,250</b>	<b>\$0</b>	<b>\$47,250</b>
<b>Grand Total</b>	<b>\$840,000</b>	<b>\$0</b>	<b>\$840,000</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO  
 THE CITY OF ALBA  
 FROM THE FINANCIAL ASSISTANCE ACCOUNT OF  
 THE TEXAS WATER DEVELOPMENT FUND II  
 THROUGH THE PROPOSED PURCHASE OF  
 \$840,000 CITY OF ALBA, TEXAS COMBINATION TAX AND SURPLUS REVENUE  
 CERTIFICATES OF OBLIGATION  
 PROPOSED SERIES 2015

(15- )

WHEREAS, the City of Alba, located in Wood County, Texas, (City), has filed an application for financial assistance in the amount of \$840,000 from the Financial Assistance Account of the Texas Water Development Fund II, established by Texas Water Code § 17.959 to finance wastewater system improvements, identified as Project No. 21756; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$840,000 through the TWDB's purchase of \$840,000 City of Alba, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2015 (together with all authorizing documents "Obligations"), all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the City has offered a pledge of combination tax and surplus 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 Chapter 363;

WHEREAS, the TWDB has considered all matters required by law and in particular the following:

1. the water quality needs of the waters into which effluent from the treatment works will be discharged, the benefit of the treatment works to such water quality needs, the relationship of the treatment works to the overall, statewide water quality needs, and the relationship of the treatment works to water quality planning for the state, in accordance with Texas Water Code § 17.275(1);
2. the availability of revenue to the political subdivision, from all sources, for the ultimate repayment of the cost of the treatment works, including interest, in accordance with Texas Water Code § 17.275(2); and
3. that the City has not been designated, pursuant to Texas Water Code § 26.082, as a regional system to serve all or part of the waste disposal needs of a defined area, the development of such systems being the declared policy of the legislature, in accordance with Texas Water Code § 17.275(3); and

WHEREAS, the TWDB hereby finds:

1. that the public interest will benefit from state assistance in the financing of this project, in accordance with Texas Water Code § 17.277(a);
2. 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;
3. that the application and financial assistance requested meet the requirements of Texas Water Code, Chapter 17, Subchapters E, F, and L, and 31 TAC Chapter 363, Subchapter A; and
4. that any treatment works to be financed under the application will consider cost-effective innovative, nonconventional methods of treatment such as rock reed, root zone, ponding, irrigation, or other methods that may have been developed by the National Aeronautics and Space Administration or the Tennessee Valley Authority, in accordance with Texas Water Code § 17.189.

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

A commitment is made by the TWDB to the City of Alba for financial assistance in the amount of \$840,000 from the Financial Assistance Account, to be evidenced by the TWDB's purchase of \$840,000 City of Alba, Texas, Combination Tax and Surplus Revenue Certificates of Obligation Proposed Series 2015. This commitment will expire on August 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 363;

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, 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 required under the TWDB's financial assistance program and not previously provided with the application, the City shall submit an executed engineering contract as appropriate for the project scope of work, and an executed financial advisor contract and executed bond counsel contract as appropriate for the work to be performed in obtaining the TWDB's financial assistance for the project, in a form and substance that are satisfactory to the Executive Administrator. Fees to be reimbursed under any consulting contract must be reasonable in relation to the services performed, must be reflected in the contract, and must be acceptable to the Executive Administrator;
13. prior to closing, when any portion of loan proceeds are 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;
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;
16. 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 and manufactured goods produced in the United States, as required by Texas Water Code § 17.183;

#### Conditions Related To Tax-Exempt Status

17. 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;

18. 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;
19. 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);
20. 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;
21. 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;
- 22. 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;
  - 23. 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;
  - 24. 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;
  - 25. 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;
  - 26. 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;

#### Pledge Conditions For The Loan

- 27. 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;

### **Tax and Surplus Revenue Pledge**

28. the Obligations must contain a provision that provides as follows:
- a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or
  - b. if surplus revenues are based upon budgeted amounts:
    - i. the Obligations must include a requirement that the City transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance authorizing the issuance of the Obligations must include a requirement that the City shall not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;
    - ii. the Obligations must include a requirement that for each year the Obligations are outstanding, and prior to the time taxes are to be levied for such year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Obligations; and
    - iii. the Obligations must include a requirement that the City shall at all times maintain and collect sufficient rates and charges in conjunction with any other legally available funds so that after payment of the costs of operating and maintaining the system, it produces revenues in an amount not less than **1.10** times debt service requirements of all outstanding Obligations of the City and other obligations of the City which are secured in whole or in part by the pledged revenues, for which

the City is budgeting the repayment of such Obligations, or the City shall provide documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements.

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

**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 Alba,  
Wood County**

