

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: March 3, 2016

TEAM MANAGER: Caaren Skrobarczyk

APPLICANT	City of Stamford
TYPE OF ASSISTANCE	\$ 9,530,000 Loan \$10,235,708 Loan Forgiveness
LEGAL PLEDGE	Ad valorem tax and surplus revenues of water and sewer system

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the City of Stamford (Jones and Haskell Counties) for financial assistance totaling \$19,765,708, consisting of a \$9,530,000 loan and \$10,235,708 loan forgiveness from the Drinking Water State Revolving Fund to finance the planning, acquisition, design, and construction phases for water system improvements.

PROJECT

Water System Improvements
Project Number 62685

BACKGROUND

The City of Stamford (City) needs to make improvements to the water treatment plant to maintain compliance with current safe drinking water standards, and to replace water system components to address water losses.

The City proposes to replace or rehabilitate the 15-mile long, 18-inch diameter raw water transmission main from Lake Stamford to the treatment plant and replace sections of the deteriorated distribution system to address water losses. The City is also proposing improvements to the raw water pump station and water treatment plant. Improvements at the water treatment plant will include construction of a new pre-treatment system, a complete membrane filtration system, a new high service pump station, electrical, controls, and rehabilitation and upgrades to other components at the plant. The City is also proposing to replace an existing elevated storage tank that has reached the end of its useful life.

FINANCIAL

Key Issues

None.

Pledge and Repayment

The City is pledging ad valorem taxes and surplus revenues from the waterworks and sewer system for the repayment of the proposed loans.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE SEPTEMBER 30, 2016

In 2014, the City's utility system did not produce sufficient annual net system revenues available for the current and proposed debt service. The City does not currently levy an interest and sinking fund tax.

Including the proposed loan, the City's average annual debt service requirement is estimated to be \$637,982. The City intends to raise monthly water rates rather than utilize the tax revenues that are also pledged for repayment of the proposed loan. Assuming no additional utility connections, the City will need to increase the average monthly water bill by \$22.50 in 2017 to produce revenues sufficient for a 1.1 times coverage of the proposed debt service. A 1.1 times coverage is only required if the City, at the beginning of the fiscal year, does not have revenues on deposit in its interest and sinking fund that are sufficient for the scheduled amount of debt service for that fiscal year. The City plans to implement a monthly water rate increase similar to the current estimate, with the final amount determined by the amount and timing of cost savings realized by improvements constructed with the proposed project.

The City has two other options for producing revenues for the proposed debt service. A second option is for the City to use a combination of increases to system rates and to the interest and sinking fund tax rate to produce sufficient revenues. A third option is to only increase the interest and sinking tax rate without an increase to system rates. If the City chooses this last option without system rate increases, then the interest and sinking fund tax rate needs to be increased from the current rate of \$0.00 to \$0.455 in 2017 and a maximum rate of \$0.529 by 2018.

Principal Forgiveness

The City qualifies for \$9,282,728 in principal forgiveness as a disadvantaged community. Additionally, the project qualifies for \$952,980 in principal forgiveness as a green project.

Cost Savings

Based on a 30-year maturity and current interest rates, the City could save approximately \$1,750,894 in interest costs over the life of the loan. The City is also saving \$10,235,708 in loan forgiveness.

Internal Risk Score

Staff assigns a 2B to the City, and the proposed project to be funded by the Texas Water Development Board. This means that the City's payment capacity is adequate.

The City's socioeconomic indicators are below the State of Texas (State) overall. The City's population has decreased at an average annual rate of 1.29% since 2000, compared to an increase at an annual rate of 1.60% for the population of the State overall. The City's average median household income is \$36,892, 71% of the median for the State overall. The unemployment rate for Haskell and Jones Counties was 4.6% in October 2015, compared to 4.5% in the State overall, and the national rate of 4.8%.

The results of the City's financial indicators are moderate. The City's current outstanding per capita debt totals \$1,103, and would increase to \$4,207 with the proposed financing. This is considered to be a high level of debt. However, the City maintains approximately 730 days of cash on hand. Days of cash on hand greater than 270 days is considered a high level of liquidity. The City's utility system produced an average of \$880,000 from 2011 to 2013; however net revenues have declined annually to \$405,076 in 2014. The net revenue decline is attributable to declines in the volume of water sold due to water restrictions used to manage the multi-year

drought conditions. Additionally, the City utilized local funds for a private contractor to provide repairs to the City's raw water line. The proposed project would eliminate those costs, potentially providing from \$150,000 to \$350,000 of additional revenues available for the payment of debt service.

There is some vulnerability in the net revenues from the utility system because the ten largest customers represent approximately 24% of the water revenues. This is considered to be high. Approximately 14% of water revenues are from wholesale contracts with the City of Lueders and three water supply corporations. The City of Lueders is the largest wholesale contract at 6% of the City's water revenues. The contract is renewed for a 10-year period, the current contract will expire in 2019, and the City currently charges \$4.25 per 1,000 gallons, which is \$21.25 for 5,000 gallons of service. The contract doesn't specify a minimum amount to be purchased, but has a maximum annual amount of 18 million gallons of water. The City has similar contracts with the water supply corporations.

The City's utility system rates are moderate with a current household cost factor of 1.87% for water and wastewater services. The projected household factor, which includes a per connection cost of the proposed debt is 2.56%. A projected household cost factor of less than 2% is considered affordable.

The City's socioeconomic indicators are below the State, and historically the City's financial performance is moderate with a high level of debt and insufficient revenues for the proposed debt, but a high level of liquidity. The City is assigned a risk score of 2B.

LEGAL

Key Issues

None.

Conditions

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

- Executed loan forgiveness agreement;
- Useful life determination; and
- Return surplus loan forgiveness funds.

Attachments:

1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental
4. Project Budget
5. Resolution (16-)
6. Water Conservation Review
7. Location Map

Project Data Summary

Authority	City of Stamford
Program	Drinking Water State Revolving Fund
Commitment Code	LF1000478, L1000474
Project Number	62685
Intended Use Plan Year	2016
Fund Number	951
Type of Pledge	3- Combo Tax and Rev
Revenue Pledge Level	Third
Legal Description	\$9,530,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016; \$10,235,708 Loan Forgiveness
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	3,071
Rural	Yes
Water Connections	1,424
Wastewater Connections	1,424
Qualifies as Disadvantaged	Yes
Disadvantaged Level	6
Clean Water State Revolving Fund Type	N/A
Financial Managerial & Technical Complete	No
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Funding Phase Code	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	Yes
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

Team Manager	Caaren Skrobarczyk
Financial Analyst	Dain Larsen
Engineering Reviewer	JoAnne Duncan
Environmental Reviewer	Jean Devlin
Attorney	Joe Reynolds

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Stamford

\$9,530,000 Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016

Dated Date: 6/1/2016
 Delivery Date: 6/1/2016
 First Interest: 9/1/2016
 First Principal: 3/1/2017
 Last Principal: 3/1/2046
 Fiscal Year End: 09/30
 Required Coverage: 1.1

Source: DWSRF
 Rate: 2.54%
 Insurance: No
 Case: Tax and Revenue
 Admin.Fee: \$ 209,707
 Admin. Fee Payment Date: 6/1/2016

FISCAL YEAR	PROJECTED	CURRENT	PRINCIPAL PAYMENT	INTEREST RATE	\$9,530,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
	NET SYSTEM REVENUES	DEBT SERVICE			INTEREST PAYMENT	TOTAL PAYMENT		
2016	405,076	223,792	-	2.54%	60,516	60,516	284,308	1.42
2017	787,666	225,046	205,000	2.54%	239,459	444,459	669,505	1.18
2018	787,666	225,117	260,000	2.54%	233,553	493,553	718,670	1.10
2019	787,666	225,044	265,000	2.54%	226,886	491,886	716,930	1.10
2020	787,666	224,825	265,000	2.54%	220,155	485,155	709,980	1.11
2021	787,666	224,442	265,000	2.54%	213,424	478,424	702,866	1.12
2022	787,666	225,869	265,000	2.54%	206,693	471,693	697,562	1.13
2023	787,666	225,106	270,000	2.54%	199,898	469,898	695,004	1.13
2024	787,666	212,295	270,000	2.54%	193,040	463,040	675,335	1.17
2025	787,666	212,425	275,000	2.54%	186,119	461,119	673,544	1.17
2026	787,666	213,353	280,000	2.54%	179,070	459,070	672,423	1.17
2027	787,666	212,100	285,000	2.54%	171,895	456,895	668,995	1.18
2028	787,666	212,668	290,000	2.54%	164,592	454,592	667,260	1.18
2029	787,666	212,033	295,000	2.54%	157,163	452,163	664,196	1.19
2030	787,666	213,173	300,000	2.54%	149,606	449,606	662,779	1.19
2031	787,666	211,110	305,000	2.54%	141,923	446,923	658,033	1.20
2032	787,666	211,845	310,000	2.54%	134,112	444,112	655,957	1.20
2033	787,666	212,310	315,000	2.54%	126,175	441,175	653,485	1.21
2034	787,666	211,528	320,000	2.54%	118,110	438,110	649,638	1.21
2035	787,666	212,475	330,000	2.54%	109,855	439,855	652,330	1.21
2036	787,666	212,130	335,000	2.54%	101,410	436,410	648,540	1.21
2037	787,666	211,515	345,000	2.54%	92,774	437,774	649,289	1.21
2038	787,666	211,608	350,000	2.54%	83,947	433,947	645,555	1.22
2039	787,666	153,713	360,000	2.54%	74,930	434,930	588,643	1.34
2040	787,666	153,875	370,000	2.54%	65,659	435,659	589,534	1.34
2041	787,666	153,813	375,000	2.54%	56,198	431,198	585,011	1.35
2042	787,666	153,525	385,000	2.54%	46,546	431,546	585,071	1.35
2043	787,666	153,013	395,000	2.54%	36,640	431,640	584,653	1.35
2044	787,666	153,253	405,000	2.54%	26,480	431,480	584,733	1.35
2045	787,666	153,223	415,000	2.54%	16,066	431,066	584,289	1.35
2046	787,666	152,923	425,000	2.54%	5,398	430,398	583,321	1.35
	\$ 6,209,147	\$ 6,209,147	\$ 9,530,000		\$ 4,038,283	\$ 13,568,283	\$ 19,777,430	

AVERAGE (MATURITY) LIFE	16.68 YEARS
NET INTEREST RATE	2.540%
COST SAVINGS	\$18,807,932
AVERAGE ANNUAL REQUIREMENT	\$637,982

Stamford
62685 Water System Improvements
Engineering and Environmental Review

Engineering:

Key Issues:

The project is requesting green project reserve funding for water and energy efficiency components. The City is proposing to replace several thousand feet of 18-inch diameter raw water transmission line that is deteriorated and experiences leaks on a regular basis. The City is also proposing to replace water distribution lines to address deteriorating, approximately 60-year old piping that contributes to increasing water losses within the City. Under the energy efficiency green project reserve funding, the City is proposing improvement in pump and motor efficiency to decrease energy usage within the system.

Project Need/Description

Need: The City needs to make improvements at their existing 1950's era water treatment plant to maintain compliance with current safe drinking water standards and replace water system components to address water losses.

Project Description: The City proposes to replace or rehabilitate their 15-mile long, 18-inch diameter raw water transmission main from Lake Stamford to the treatment plant and replace sections of the City's deteriorated distribution system to address water losses. The City is also proposing improvements to their raw water pump station and 1950's era water treatment plant. Improvements at the water treatment plant will include construction of a new pre-treatment system, a complete membrane filtration system, a new high service pump station, electrical, controls, and rehabilitation/upgrades to other components at the plant. The City is also proposing to replace an existing World War II era elevated storage tank that has reached the end of its useful life.

Project Schedule:

Project Task	Schedule Date
Closing	6/01/2016
Engineering Feasibility Report Completion (End of Planning Phase)	1/05/2017
Design Phase Complete	12/21/2017
Start of Construction	4/05/2018
Construction Completion	11/22/2019

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

A Categorical Exclusion (CE) for a portion of this project has been proposed, while other project components require further regulatory agency coordination. For this reason, the environmental review process will be segmented. Pursuant to the requirements of 31 Texas Administrative Code (TAC) §371.41, 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 favorable environmental determinations have been issued. A subsequent Affirmation of Commitment will be necessary for this loan in order to comply with the National Environmental Policy Act.



Project Budget Summary
Stamford
62685 - Water System Improvements

Budget Items	This Commitment	TWDB Funds	Total
Construction			
Construction	\$16,326,876.00	\$16,326,876.00	\$16,326,876.00
Subtotal for Construction	\$16,326,876.00	\$16,326,876.00	\$16,326,876.00
Basic Engineering Services			
Construction Engineering	\$240,000.00	\$240,000.00	\$240,000.00
Design	\$640,000.00	\$640,000.00	\$640,000.00
Planning	\$150,000.00	\$150,000.00	\$150,000.00
Subtotal for Basic Engineering Services	\$1,030,000.00	\$1,030,000.00	\$1,030,000.00
Special Services			
Application	\$20,000.00	\$20,000.00	\$20,000.00
Environmental	\$30,000.00	\$30,000.00	\$30,000.00
Geotechnical	\$20,000.00	\$20,000.00	\$20,000.00
Inspection	\$140,000.00	\$140,000.00	\$140,000.00
O&M Manual	\$25,000.00	\$25,000.00	\$25,000.00
Permits	\$50,000.00	\$50,000.00	\$50,000.00
Pilot Testing	\$100,000.00	\$100,000.00	\$100,000.00
Project Management (by engineer)	\$20,000.00	\$20,000.00	\$20,000.00
Surveying	\$150,000.00	\$150,000.00	\$150,000.00
Testing	\$30,000.00	\$30,000.00	\$30,000.00
Water Conservation Plan	\$10,000.00	\$10,000.00	\$10,000.00
Subtotal for Special Services	\$595,000.00	\$595,000.00	\$595,000.00
Fiscal Services			
Bond Counsel	\$47,000.00	\$47,000.00	\$47,000.00
Financial Advisor	\$106,000.00	\$106,000.00	\$106,000.00
Issuance Costs	\$20,000.00	\$20,000.00	\$20,000.00
Loan Origination Fee	\$209,707.00	\$209,707.00	\$209,707.00
Subtotal for Fiscal Services	\$382,707.00	\$382,707.00	\$382,707.00
Other			
Administration	\$5,000.00	\$5,000.00	\$5,000.00
Land/Easements Acquisition	\$5,000.00	\$5,000.00	\$5,000.00
Subtotal for Other	\$10,000.00	\$10,000.00	\$10,000.00
Contingency			
Contingency	\$1,421,125.00	\$1,421,125.00	\$1,421,125.00
Subtotal for Contingency	\$1,421,125.00	\$1,421,125.00	\$1,421,125.00
Total	\$19,765,708.00	\$19,765,708.00	\$19,765,708.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT
 OF \$19,765,708 TO CITY OF STAMFORD
 FROM THE DRINKING WATER STATE REVOLVING FUND
 THROUGH THE PROPOSED PURCHASE OF
 \$9,530,000 CITY OF STAMFORD, TEXAS COMBINATION
 TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION,
 PROPOSED SERIES 2016, AND
 \$10,235,708 IN LOAN FORGIVENESS

(16-)

WHEREAS, the City of Stamford (City) has filed an application for financial assistance in the amount of \$19,765,708 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, acquisition, design and construction of certain water system improvements identified as Project No. 62685; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$9,530,000 City of Stamford, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016 (together with all authorizing documents (Obligations)), and the execution of a Loan Forgiveness Agreement in the amount of \$10,235,708, 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 ad valorem tax and surplus revenues of the City's waterworks and sewer system as sufficient security for the repayment of the Obligations; and

WHEREAS, the loan 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 371.

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* as well as state law, in accordance with Texas Water Code § 15.607;
3. that the City has 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;

4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);
5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.053(j);
6. that the City meets the definition of Disadvantaged Community in 31 TAC § 371.1(24) and is therefore eligible for subsidy through the DWSRF; and
7. that the TWDB has made a timely and concerted effort to solicit projects that address green infrastructure, water, or energy efficiency improvements and other environmentally innovative activities and has determined that the entire Project, or a portion of the Project, satisfies the EPA's criteria for Green Projects.

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

A commitment is made by the TWDB to the City of Stamford for financial assistance in the amount of \$19,765,708 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$9,530,000 City of Stamford, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016 and the execution of a Loan Forgiveness Agreement in the amount of \$10,235,708. This commitment will expire on September 30, 2016.

Such commitment is conditioned as follows:

Standard Conditions

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the City;
3. this commitment is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 371;
4. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;

5. the City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to such bonds under SEC Rule 15c2-12;
6. the Obligations must contain a provision requiring the City to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
7. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (3) eligible project costs as authorized by the Executive Administrator;
8. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
9. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;
10. loan proceeds shall not be used by the City when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the City agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;

11. prior to closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
12. prior to closing, and if not previously provided with the application, the City shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
13. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the City shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
14. the Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
15. the TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator;

Conditions Related To Tax-Exempt Status

16. the City's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion;
17. the City's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion;
18. the Obligations must include a provision prohibiting the City from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
19. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire

Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:

- a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;
20. the Obligations must include a provision requiring the City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the City will:
- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its Loan with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its Loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The City shall maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of the Loan, and in order to induce the making of the Loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;

- d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
21. the Obligations must include a provision prohibiting the City from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
22. the Obligations must provide that the City will not cause or permit the Obligations to be treated as “federally guaranteed” obligations within the meaning of § 149(b) of the Code;
23. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the City’s reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
24. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply;
25. the Obligations must provide that neither the City nor a related party thereto will acquire any of the TWDB’s Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the City by the TWDB;

State Revolving Fund Conditions

26. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
27. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor’s implementing regulations. The City, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;

28. the Obligations must include a provision stating that the City shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The City shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
29. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the City will adhere to the approved project schedule;
30. The Obligations and Loan Forgiveness Agreement 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;

Drinking Water State Revolving Fund Conditions

31. prior to or at closing, the City shall pay a 2.25% origination fee to the TWDB calculated pursuant to 31 TAC Chapter 371;
32. prior to closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the City has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations;
33. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the City must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;

Pledge Conditions for the Loan

34. 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.

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

Special Conditions:

35. prior to closing, the City shall execute a Loan Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
36. the Loan Forgiveness Agreement must include a provision stating that the City shall return any loan forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator; and

37. prior to the release of funds, the City shall provide 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.

APPROVED and ordered of record this 3rd day of March, 2016.

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 Stamford, Haskell & Jones Counties

