

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: March 3, 2016

TEAM MANAGER: Mireya Loewe

<b>APPLICANT</b>	City of Beeville
<b>TYPE OF ASSISTANCE</b>	\$3,300,000 Loan
<b>LEGAL PLEDGE</b>	Ad Valorem Tax and Lien on the Surplus Revenues of the City's Waterworks and Sewer System

### STAFF RECOMMENDATION

Approve                       No Action

### ACTION REQUESTED

Approve by resolution a request from the City of Beeville (Bee County) for a \$3,300,000 loan from the Drinking Water State Revolving Fund to finance water system improvements.

### PROJECT

Morrill Water Treatment Plant Pretreatment Improvements  
Project Number 62684

### BACKGROUND

The City is seeking funding to address its aging filtration system. Periods of excessive raw water turbidity have resulted in the need to expand and upgrade the existing pretreatment and disinfection systems at the City's water treatment plant in order to improve system reliability and regain TCEQ compliance.

### FINANCIAL

#### Key Issues

None.

#### Pledge and Repayment

The City is pledging ad valorem tax and lien on the surplus revenues of the waterworks and sewer system for the repayment of the proposed loan. Current rates and charges are sufficient to meet the existing and proposed debt service requirements. The City has a debt service tax rate of \$0.18 per \$100 of taxable value and an average water and wastewater bill of \$76.88 per month. The City intends to utilize revenues to service this debt.

#### Cost Savings

Based on a \$3,300,000 loan, the City could save approximately \$456,000 over the life of the commitment when compared to a market loan with current interest rates and a 20-year term.

<b>COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE MARCH 31, 2017</b>
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### Internal Risk Score

Staff assigns a 2B to the City. This means that the City's repayment capacity is adequate and the applicant'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.

The City's median household income of \$37,989 is below the state's median of \$52,933. The 6.5% unemployment rate is above the state's unemployment rate of 4.5%. Operating reserves for 2015 are approximately 10 months. The City's current combined average monthly water and wastewater rate is 2.43% of the median household income, which is above the TWDB's benchmark of 2% for two services. The water and wastewater connections are stable and the per capita debt is low at \$248 including the proposed debt. The interest and sinking tax rate and current water and wastewater rates are sufficient to service the existing and proposed debt.

Staff's risk score is based on the City's consistent positive operating trends and low debt per capita, which mitigate its low median household income and high household cost factor.

### **LEGAL**

#### Key Issues

None.

### **CONDITIONS**

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

- Standard emergency discovery conditions, and
- Pre-design funding.

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

**PROJECT DATA SUMMARY**

<b>Responsible Authority</b>	City of Beeville
<b>Program</b>	Drinking Water State Revolving Fund
<b>Commitment Code</b>	L1000489
<b>Project Number</b>	62684
<b>Intended Use Plan Year</b>	2015
<b>Fund Number</b>	951
<b>Type of Pledge</b>	3
<b>Revenue Pledge Level</b>	Third
<b>Legal Description</b>	\$3,300,000 City of Beeville, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016
<b>Tax-exempt or Taxable</b>	Tax-exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay=Escrow Release
<b>Population</b>	13,303
<b>Rural</b>	No
<b>Water Connections</b>	4,583
<b>Wastewater Connections</b>	4,415
<b>Qualifies as Disadvantaged</b>	No
<b>Disadvantaged Level</b>	9
<b>Clean Water State Revolving Fund Type</b>	N/A
<b>Financial, Managerial, and Technical Review Complete?</b>	No
<b>SWIFT Financing Type</b>	N/A
<b>SWIFT Project Type</b>	N/A
<b>Phase Committing</b>	Planning, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Adopted
<b>Water Rights Certification Required</b>	No
<b>Internal Risk Score</b>	2B
<b>External Ratings (for SRF rates)</b>	
<b>Standard and Poor's</b>	A
<b>Moody's</b>	Non-Rated
<b>Fitch</b>	Non-Rated
<b>Special Issues</b>	None

**Project Team**

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

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
City of Beeville  
Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016

Dated Date: 5/25/2016  
 Delivery Date: 5/25/2016  
 First Interest: 11/25/2016  
 First Principal: 5/25/2017  
 Last Principal: 5/25/2036  
 Fiscal Year End: 09/30  
 Required Coverage: 1.1

Source: DWSRF  
 Rate: 1.78%  
 Insurance: No  
 Case: -  
 Admin.Fee: \$ 72,616  
 Admin. Fee Payment Date: 5/25/2016  
 Total Assessed Valuation: \$ 429,359,320

FISCAL YEAR	ACTUAL TAX RATE	TAX REVENUES WITH COLL. @ 90%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$3,300,000 ISSUE			TOTAL DEBT SERVICE	COVERAGE				
								INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE						
2017	0.180	695,562	1,601,000	2,296,562	187,917	142,000	1.78%	58,740	200,740	388,657	5.91					
2018	0.180	695,562	1,601,000	2,296,562	188,178	142,000	1.78%	56,212	198,212	386,390	5.94					
2019	0.180	695,562	1,601,000	2,296,562	188,029	143,000	1.78%	53,685	196,685	384,714	5.97					
2020	0.180	695,562	1,601,000	2,296,562	188,477	144,000	1.78%	51,139	195,139	383,616	5.99					
2021	0.180	695,562	1,601,000	2,296,562	188,553	146,000	1.78%	48,576	194,576	383,129	5.99					
2022	0.180	695,562	1,601,000	2,296,562	188,342	148,000	1.78%	45,977	193,977	382,319	6.01					
2023	0.180	695,562	1,601,000	2,296,562	187,892	150,000	1.78%	43,343	193,343	381,235	6.02					
2024	0.180	695,562	1,601,000	2,296,562	188,221	153,000	1.78%	40,673	193,673	381,894	6.01					
2025	0.180	695,562	1,601,000	2,296,562	188,322	156,000	1.78%	37,950	193,950	382,272	6.01					
2026	0.180	695,562	1,601,000	2,296,562	188,208	159,000	1.78%	35,173	194,173	382,381	6.01					
2027	0.180	695,562	1,601,000	2,296,562	187,888	162,000	1.78%	32,343	194,343	382,231	6.01					
2028	0.180	695,562	1,601,000	2,296,562	188,338	166,000	1.78%	29,459	195,459	383,797	5.98					
2029	0.180	695,562	1,601,000	2,296,562	188,553	170,000	1.78%	26,504	196,504	385,057	5.96					
2030	0.180	695,562	1,601,000	2,296,562	188,552	174,000	1.78%	23,478	197,478	386,030	5.95					
2031	0.180	695,562	1,601,000	2,296,562	188,343	179,000	1.78%	20,381	199,381	387,724	5.92					
2032	0.180	695,562	1,601,000	2,296,562	187,940	183,000	1.78%	17,195	200,195	388,135	5.92					
2033	0.180	695,562	1,601,000	2,296,562	188,342	188,000	1.78%	13,937	201,937	390,279	5.88					
2034	0.180	695,562	1,601,000	2,296,562	188,540	193,000	1.78%	10,591	203,591	392,131	5.86					
2035	0.180	695,562	1,601,000	2,296,562	187,544	198,000	1.78%	7,156	205,156	392,700	5.85					
2036	0.180	695,562	1,601,000	2,296,562	-	204,000	1.78%	3,631	207,631	207,631	11.06					
					\$	45,931,242	\$	3,576,179	\$	3,300,000	\$	656,144	\$	3,956,144	\$	7,532,323

AVERAGE (MATURITY) LIFE	11.17 YEARS
NET INTEREST RATE	1.780%
COST SAVINGS	\$ 456,000
AVERAGE ANNUAL REQUIREMENT	\$376,616

**Beeville**  
**62684 Morrill WTP Pretreatment Improvements**  
**Engineering and Environmental Review**

**Engineering:**Key Issues:

None known at this time.

Project Need/Description

**Need:** An aging filtration system and periods of excessive raw water turbidity have resulted in the City's water treatment plant becoming non-compliant with the Texas Commission of Environmental Quality (TCEQ).

**Description:** The project will expand the City's water treatment plant's existing pretreatment and disinfection system in order to improve system reliability and regain TCEQ compliance.

**Project Schedule:**

<b>Project Task</b>	<b>Schedule Date</b>
Closing	5/25/2016
Engineering Feasibility Report Completion (End of Planning Phase)	5/25/2016
Design Phase Complete	7/29/2016
Start of Construction	10/3/2016
Construction Completion	12/8/2017

**Environmental Section:**Key Issues:

None known at this time.

Environmental Summary:

A Categorical Exclusion (CE) for this project was issued on October 30, 2015. As required by 31 Texas Administrative Code (TAC) §371.41, Subchapter E, environmental review of the proposed project has been completed. The proposed project is in compliance with the National Environmental Policy Act.

**Project Budget Summary**  
**Beeville**  
**62684 - Morrill WTP Pretreatment Improvements**

Budget Items	This Commitment	TWDB Funds	Total Project
<b>Construction</b>			
Construction	\$2,324,000.00	\$2,324,000.00	\$2,324,000.00
<b>Subtotal for Construction</b>	<b>\$2,324,000.00</b>	<b>\$2,324,000.00</b>	<b>\$2,324,000.00</b>
<b>Basic Engineering Services</b>			
Construction Engineering	\$37,000.00	\$37,000.00	\$37,000.00
Design	\$87,000.00	\$87,000.00	\$87,000.00
Planning	\$38,000.00	\$38,000.00	\$38,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$162,000.00</b>	<b>\$162,000.00</b>	<b>\$162,000.00</b>
<b>Special Services</b>			
Application	\$10,000.00	\$10,000.00	\$10,000.00
Environmental	\$5,000.00	\$5,000.00	\$5,000.00
Geotechnical	\$10,000.00	\$10,000.00	\$10,000.00
Inspection	\$70,000.00	\$70,000.00	\$70,000.00
O&M Manual	\$4,000.00	\$4,000.00	\$4,000.00
Project Management (by engineer)	\$15,000.00	\$15,000.00	\$15,000.00
Surveying	\$7,000.00	\$7,000.00	\$7,000.00
Testing	\$15,000.00	\$15,000.00	\$15,000.00
Water Conservation Plan	\$5,000.00	\$5,000.00	\$5,000.00
<b>Subtotal for Special Services</b>	<b>\$141,000.00</b>	<b>\$141,000.00</b>	<b>\$141,000.00</b>
<b>Fiscal Services</b>			
Bond Counsel	\$15,000.00	\$15,000.00	\$15,000.00
Financial Advisor	\$30,000.00	\$30,000.00	\$30,000.00
Fiscal/Legal	\$3,000.00	\$3,000.00	\$3,000.00
Issuance Costs	\$3,000.00	\$3,000.00	\$3,000.00
Loan Origination Fee	\$72,616.00	\$72,616.00	\$72,616.00
<b>Subtotal for Fiscal Services</b>	<b>\$123,616.00</b>	<b>\$123,616.00</b>	<b>\$123,616.00</b>
<b>Other</b>			
Administration	\$5,000.00	\$5,000.00	\$5,000.00
<b>Subtotal for Other</b>	<b>\$5,000.00</b>	<b>\$5,000.00</b>	<b>\$5,000.00</b>
<b>Contingency</b>			
Contingency	\$544,384.00	\$544,384.00	\$544,384.00
<b>Subtotal for Contingency</b>	<b>\$544,384.00</b>	<b>\$544,384.00</b>	<b>\$544,384.00</b>
<b>Total</b>	<b>\$3,300,000.00</b>	<b>\$3,300,000.00</b>	<b>\$3,300,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$3,300,000 TO CITY OF BEEVILLE  
FROM THE DRINKING WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$3,300,000 CITY OF BEEVILLE, TEXAS COMBINATION TAX AND SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION,  
PROPOSED SERIES 2016

(16- )

WHEREAS, the City of Beeville (City) has filed an application for financial assistance in the amount of \$3,300,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain water system improvements identified as Project No. 62684; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$3,300,000 City of Beeville, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016 (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 ad valorem taxes 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; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the 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 Executive Administrator issued a Categorical Exclusion on October 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 the City of Beeville for financial assistance in the amount of \$3,300,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$3,300,000 City of Beeville, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016. This commitment will expire on March 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 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 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. 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 3<sup>rd</sup> 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
<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 Beeville, Bee County

