

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: June 1, 2016

TEAM MANAGER: Luis Farias

| | |
|---------------------------|---|
| APPLICANT | City of Weatherford |
| TYPE OF ASSISTANCE | \$11,220,000 Loan \$1,550,433 Loan Forgiveness |
| LEGAL PLEDGE | First Lien on Revenues of the Utility System |

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the City of Weatherford (Parker County) for \$12,770,433 in financial assistance, consisting of a \$11,220,000 loan and \$1,550,433 in loan forgiveness from the Clean Water State Revolving Fund to finance the design, acquisition, and construction of wastewater reuse system improvements.

PROJECT

Wastewater Reuse System
Project Number 73726

BACKGROUND

The City of Weatherford’s (City) water demands during drought conditions exceed the reliable water supply from Lake Weatherford, requiring the City to purchase water from the Tarrant Regional Water District (TRWD) and pump it from Lake Benbrook to Lake Weatherford. The City needs to create a more sustainable water supply by constructing an indirect water reuse system.

The City owns and operates their wastewater treatment plant (WWTP) and is currently permitted to discharge an annual average flow of 4.5 million gallons per day (MGD). The system’s flows are discharged from the plant through a tributary and end up at the Clear Fork Trinity River below Lake Weatherford. The average discharge from the plant over the past several years has been approximately 2.2 MGD. Under an agreement with TRWD, the City is required to discharge a minimum of 515 acre-feet per year (0.46 MGD average) from its WWTP into the Lake Benbrook watershed. This allows for slightly less than 2 MGD of reclaimed water available for diversion to Lake Weatherford. As the City continues to grow, the amount of wastewater effluent available is anticipated to increase over time.

The City is requesting funding for a Reclaimed Water System project consisting of wastewater treatment plant improvements, a reuse water pump station, a reuse water line and an outfall structure.

| |
|--|
| COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE DECEMBER 31, 2016 |
|--|

FINANCIALKey Issues

None.

Pledge and Repayment

The City is pledging a first lien on the net revenues of Utility Systems, consisting of the waterworks, wastewater, and electric systems for the repayment of the proposed loan. The City's current combined average monthly water and wastewater rate is \$101.17. Based on staff's analysis of financial documentation received, current utility system revenues are sufficient to meet the current and proposed debt service requirements.

Principal Forgiveness

The City qualifies for \$1,550,433 in loan forgiveness from the Clean Water State Revolving Fund as green, due to the conservation aspects of the project.

Cost Savings

Based on a 20-year maturity and current interest rates, the City could save approximately \$1,279,880 over the life of the loan. The City is also saving \$1,550,433 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 above the State of Texas (State) overall. The City's population has increased at an average annual rate of 2.4% since 2000, compared to an increase at an annual rate of 1.61% for the population of the State overall. The City's average median household income is \$52,532, which is on par with the \$52,576 median for the State overall. The unemployment rate for the City was 3.9% in March 2016, compared to 4.5% in the State overall.

The City's current outstanding per capita debt totals \$4,271, and would increase to \$4,694 with the proposed financing. This is considered to be a high level of debt per capita. However, the City maintains approximately 9 months of operating expenses in the form of liquid net assets in the utility system. For determination of an appropriate internal risk score, the benchmark is 2 to 3 months of cash operating expenses in the utility fund.

The City's utility system net revenues increased to \$19,523,507 in 2015 from the prior 3-year average of \$15,394,023 from 2012-2014. The City's water and sewer system rates are moderately high with a current household cost factor of 2.31% for water and wastewater services. A projected household cost factor of less than 2% is considered affordable.

The City's socioeconomic indicators are on par with the State, and the financial performance of the utility system is strong with increasing net revenues, and a high level of liquidity. However, water and wastewater rates are moderately high and the debt per capita is high. The City is assigned a risk score of 2B.

LEGAL

Key Issues

None.

Conditions

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

- Executed loan forgiveness agreement;
- Return surplus funds;
- Fiscal Sustainability Plan; and,
- Standard emergency discovery.

- 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

| | |
|--|---|
| Authority | City of Weatherford |
| Program | Clean Water State Revolving Fund |
| Commitment Code | L1000511, LF1000522 |
| Project Number | 73726 |
| Intended Use Plan Year | 2016 |
| Fund Number | 651 |
| Type of Pledge | 2- Revenue |
| Revenue Pledge Level | First |
| Legal Description | \$11,220,000 Utility System Revenue Bonds, Proposed Series 2016 \$1,550,433 Loan Forgiveness Agreement |
| Tax-exempt or Taxable | Tax-exempt |
| Refinance | No |
| Outlay Requirement | Yes |
| Disbursement Method | Escrow |
| Outlay Type | Outlay = Escrow |
| Population | 26,200 |
| Rural | No |
| Water Connections | 6,448 |
| Wastewater Connections | 5,754 |
| Qualifies as Disadvantaged | No |
| Disadvantaged Level | 9 |
| Clean Water State Revolving Fund Type | Non-Equivalency |
| SWIFT Financing Type | N/A |
| SWIFT Characteristic | N/A |
| Financial Managerial & Technical Complete | N/A |
| Funding Phase Code | Design, Acquisition, and Construction |
| Pre-Design | Yes |
| Project Consistent with Water Plan | Yes |
| Water Conservation Plan | Adopted |
| Water Rights Certification Required | N/A |
| Internal Risk Score | 2B |
| External Ratings (for SRF rates) | |
| Standard and Poor's | A |
| Moody's | A1 |
| Fitch | Non-Rated |
| Special Issues | 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 Weatherford

Utility System Revenue Bonds, Series 2016

Dated Date: 11/15/2016
Delivery Date: 11/15/2016
First Interest: 3/1/2017
First Principal: 9/1/2017
Last Principal: 9/1/2036
Fiscal Year End: 09/30
Required Coverage: 1.0

Source: CWSRF-NON-EQUIVALENCY
Rate: 1.10%
Insurance: No
Case: Revenue
Admin.Fee: \$203,800
Admin. Fee Payment Date: 11/15/2016

| FISCAL YEAR | PROJECTED NET SYSTEM REVENUES | CURRENT DEBT SERVICE | PRINCIPAL PAYMENT | INTEREST RATE | \$11,220,000 ISSUE | | TOTAL DEBT SERVICE | COVERAGE |
|-------------|-------------------------------|----------------------|-------------------|---------------|--------------------|---------------|--------------------|----------|
| | | | | | INTEREST PAYMENT | TOTAL PAYMENT | | |
| 2017 | 19,523,547 | 5,654,236 | 505,000 | 1.10% | 98,050 | 603,050 | 6,257,286 | 3.12 |
| 2018 | 19,523,547 | 5,656,908 | 510,000 | 1.10% | 117,865 | 627,865 | 6,284,773 | 3.11 |
| 2019 | 19,523,547 | 4,221,438 | 515,000 | 1.10% | 112,255 | 627,255 | 4,848,693 | 4.03 |
| 2020 | 19,523,547 | 4,217,688 | 520,000 | 1.10% | 106,590 | 626,590 | 4,844,278 | 4.03 |
| 2021 | 19,523,547 | 4,222,438 | 525,000 | 1.10% | 100,870 | 625,870 | 4,848,308 | 4.03 |
| 2022 | 19,523,547 | 4,214,938 | 535,000 | 1.10% | 95,095 | 630,095 | 4,845,033 | 4.03 |
| 2023 | 19,523,547 | 3,425,438 | 540,000 | 1.10% | 89,210 | 629,210 | 4,054,648 | 4.82 |
| 2024 | 19,523,547 | 3,417,688 | 545,000 | 1.10% | 83,270 | 628,270 | 4,045,958 | 4.83 |
| 2025 | 19,523,547 | 3,419,188 | 550,000 | 1.10% | 77,275 | 627,275 | 4,046,463 | 4.82 |
| 2026 | 19,523,547 | 3,419,188 | 555,000 | 1.10% | 71,225 | 626,225 | 4,045,413 | 4.83 |
| 2027 | 19,523,547 | 1,362,438 | 565,000 | 1.10% | 65,120 | 630,120 | 1,992,558 | 9.80 |
| 2028 | 19,523,547 | 1,362,538 | 570,000 | 1.10% | 58,905 | 628,905 | 1,991,443 | 9.80 |
| 2029 | 19,523,547 | 1,365,475 | 575,000 | 1.10% | 52,635 | 627,635 | 1,993,110 | 9.80 |
| 2030 | 19,523,547 | 1,361,000 | 580,000 | 1.10% | 46,310 | 626,310 | 1,987,310 | 9.82 |
| 2031 | 19,523,547 | 1,365,250 | 590,000 | 1.10% | 39,930 | 629,930 | 1,995,180 | 9.79 |
| 2032 | 19,523,547 | 1,361,750 | 595,000 | 1.10% | 33,440 | 628,440 | 1,990,190 | 9.81 |
| 2033 | 19,523,547 | 1,365,750 | 600,000 | 1.10% | 26,895 | 626,895 | 1,992,645 | 9.80 |
| 2034 | 19,523,547 | 1,361,750 | 610,000 | 1.10% | 20,295 | 630,295 | 1,992,045 | 9.80 |
| 2035 | 19,523,547 | 1,365,000 | 615,000 | 1.10% | 13,585 | 628,585 | 1,993,585 | 9.79 |
| 2036 | 19,523,547 | - | 620,000 | 1.10% | 6,820 | 626,820 | 626,820 | 31.15 |
| | | \$ 54,140,093 | \$ 11,220,000 | | \$ 1,315,640 | \$ 12,535,640 | \$ 66,675,733 | |

| | |
|-----------------------------------|--------------------|
| AVERAGE (MATURITY) LIFE | 10.66 YEARS |
| NET INTEREST RATE | 1.100% |
| COST SAVINGS | \$3,223,152 |
| AVERAGE ANNUAL REQUIREMENT | \$3,333,787 |

**Weatherford
73726 Reclaimed Water System
Engineering and Environmental Review**

Engineering:

Key Issues:

The proposed project will enable the City of Weatherford (City) to meet stricter Texas Commission on Environmental Quality Discharge Permit requirements, and help meet water demands during drought conditions.

The applicant has considered innovative and alternative methods of treatment in their application and will evaluate alternatives in greater detail through the planning phase of the project.

Project Need/Description

Need: The City needs to create a more sustainable water supply by completing an indirect reuse system.

Project Description: The Reclaimed Water System project consists of wastewater treatment plant (WWTP) improvements, a reuse water pump station, a reuse water line and an outfall structure.

Project Schedule:

| Project Task | Schedule Date |
|---|----------------------|
| Engineering Feasibility Report Completion (End of Planning Phase) | 9/30/2016 |
| Design Phase Complete | 3/7/2017 |
| Closing | 11/15/2016 |
| Start of Construction | 4/11/2017 |
| Construction Completion | 7/5/2019 |

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

The environmental review of the project will be handled in two parts in order to allow project activities that qualify for a Categorical Exclusion (CE) from a full environmental review to proceed without delay. As required by 31 Texas Administrative Code Chapter 375, Subchapter E, environmental review of the proposed project has been completed for the project components that qualify for a CE. A CE was issued on January 20, 2016 for improvements at the WWTP including the construction of a pump station on the plant site. These proposed project components are in compliance with the National Environmental Policy Act.

The remainder of the project components, including the installation of reuse water pipeline and construction of an outfall structure, will require a full environmental review to be completed later. Pursuant to the requirements of 31 Texas Administrative Code Chapter 375, Subchapter E, financial assistance shall be conditioned to read that funding for design, acquisition and construction costs for these specific project elements (i.e., reuse water pipeline and outfall structure) will not be released until the environmental review has been completed and a favorable environmental determination has been issued.



Current Budget Summary

Weatherford

73726 - Reclaimed Water System

| Budget Items | TWDB Funds | Total |
|--|------------------------|------------------------|
| Construction | | |
| Construction | \$11,188,617.00 | \$11,188,617.00 |
| Subtotal for Construction | \$11,188,617.00 | \$11,188,617.00 |
| Basic Engineering Services | | |
| Design | \$250,961.00 | \$250,961.00 |
| Subtotal for Basic Engineering Services | \$250,961.00 | \$250,961.00 |
| Fiscal Services | | |
| Loan Origination Fee | \$203,800.00 | \$203,800.00 |
| Subtotal for Fiscal Services | \$203,800.00 | \$203,800.00 |
| Contingency | | |
| Contingency | \$33,200.00 | \$33,200.00 |
| Subtotal for Fiscal Services | \$33,200.00 | \$33,200.00 |
| Other | | |
| Land/Easements Acquisition | \$1,093,855.00 | \$1,093,855.00 |
| Subtotal for Other | \$1,093,855.00 | \$1,093,855.00 |
| Total | \$12,770,433.00 | \$12,770,433.00 |

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$12,770,433 TO THE CITY OF WEATHERFORD
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$11,220,000 CITY OF WEATHERFORD UTILITY SYSTEM REVENUE BONDS,
PROPOSED SERIES 2016
AND
\$1,550,433 IN LOAN FORGIVENESS

(16-)

WHEREAS, the City of Weatherford (City) has filed an application for financial assistance in the amount of \$12,770,433 from the Clean Water State Revolving Fund (CWSRF) to finance the design, acquisition, and construction of certain wastewater system improvements identified as Project No. 73726; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$11,220,000 City of Weatherford Utility System Revenue Bonds, Proposed Series 2016 (together with all authorizing documents, "Obligations"), and the execution of a Loan Forgiveness Agreement in an amount of \$1,550,433, 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 utility revenue 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 375;

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;
3. that the City has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
4. that the City has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007;

5. 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; and
6. that on January 20, 2016, the Executive Administrator issued a Categorical Exclusion for the portion of the Project that includes the improvements at the wastewater treatment plant and the pump station that are to be constructed on the existing wastewater treatment plant site. 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 Weatherford for financial assistance in the amount of \$12,770,433 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$11,220,000 City of Weatherford Utility System Revenue Bonds, Proposed Series 2016 and the execution of a Loan Forgiveness Agreement in the amount of \$1,550,433. This commitment will expire on December 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 375;
4. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
5. the City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by

Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to such bonds under SEC Rule 15c2-12;

6. the Obligations must contain a provision requiring the City to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
7. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (3) eligible project costs as authorized by the Executive Administrator;
8. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
9. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;
10. loan proceeds shall not be used by the City when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the City agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
11. prior to closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
12. prior to closing, and if not previously provided with the application, the City shall submit executed contracts for engineering, and, if applicable, financial advisor and bond counsel

contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;

13. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the City shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
14. the Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

Conditions Related To Tax-Exempt Status

15. the City's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion;
16. the City's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion;
17. the Obligations must include a provision prohibiting the City from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
18. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10

percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;

19. the Obligations must include a provision requiring the City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the City will:
 - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The City shall maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
 - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
20. the Obligations must include a provision prohibiting the City from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
21. the Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
22. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the City's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;

23. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply;
24. the Obligations must provide that neither the City nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the City by the TWDB;

State Revolving Fund Conditions

25. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
26. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The City, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
27. the Obligations must include a provision stating that the City shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The City shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
28. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the City will adhere to the approved project schedule;
29. the Obligations 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;
30. the Obligations must contain language detailing compliance with the requirements set forth in 33 U.S.C. § 1382 *et seq.* related to maintaining project accounts containing

financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets;

31. the City shall submit, prior to the release of funds, 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;

Clean Water State Revolving Fund Conditions

32. prior to or at closing, the City shall pay a 1.85% origination fee to the TWDB calculated pursuant 31 TAC Chapter 375;
33. at the TWDB's option, the TWDB may fund the financial assistance under this Resolution with either available cash-on-hand or from bond proceeds. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution;

Pledge Conditions For The Loan

34. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
35. 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;
36. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant;

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

Special Conditions:

37. prior to closing, the City shall execute a Loan Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;

38. 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;
39. prior to final disbursement, the City shall submit to the TWDB certification that it has developed and is currently implementing a fiscal sustainability plan for critical assets part of the treatment works receiving financial assistance as outlined in 33 U.S.C. §1383; and
40. 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 1st day of June, 2016.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Darrell Nichols
Assistant 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 Weatherford, Parker County

