



## PROJECT FUNDING REQUEST

BOARD DATE: August 11, 2016

TEAM MANAGER: Luis Farias

<b>APPLICANT</b>	City of Bonham
<b>TYPE OF ASSISTANCE</b>	\$3,800,000 Loan
<b>LEGAL PLEDGE</b>	Ad Valorem Tax and Surplus Net Revenues of the Waterworks and Sewer System

### STAFF RECOMMENDATION

Approve       No Action

### ACTION REQUESTED

Approve by resolution, a request from the City of Bonham (Fannin County) for a \$3,800,000 loan from the Clean Water State Revolving Fund to finance the planning, design, and construction of wastewater treatment plant improvements.

### PROJECT

WWTP Rehabilitation  
Project Number 73735

### BACKGROUND

The City of Bonham (City) is one of the oldest cities in Texas, dating back to 1837. In 1843, the Congress of the Republic of Texas assigned the name Bloomington to the City, but finally renamed it Bonham, in honor of James Butler Bonham, a hero and defender of the Alamo. On February 2, 1848, Bonham was incorporated as a city and is the county seat for Fannin County, which is located in northeast Texas, along the Red River.

The City's wastewater system consists of a wastewater treatment plant (WWTP), a conventional gravity system and four lift stations. The City's wastewater service area is contiguous with the city limits and it services primarily residential and commercial customers with several notable institutional customers, including two Texas Department of Criminal Justice jails, a Veterans Administration (VA) hospital, VA housing, and a community hospital.

Due to failures at the WWTP, along with noncompliance with Texas Commission on Environmental Quality (TCEQ) wastewater standards, an agreed order was issued in 2014. As a result, the City began taking corrective action by making improvements to the WWTP using local funds. Additionally, the City received a grant from the Texas Department of Agriculture for rehabilitation of the Ultraviolet disinfection facilities. This work is in design at present and should be completed by the end of 2016. After a comprehensive review of the WWTP in conjunction with the agreed order, the City is proposing to make several improvements to bring the WWTP into compliance with TCEQ wastewater requirements. Proposed improvements

<b>COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE AUGUST 31, 2017</b>
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include updating the Sequencing Batch Reactor equipment, adding additional sludge handling facilities, reconstructing the master lift station, and providing various other needed improvements.

## **FINANCIAL**

### Key Issues

None.

### Pledge and Repayment

The City is pledging ad valorem taxes and surplus net revenues for the repayment of the proposed loan. The City's combined average monthly water and wastewater rate is \$70.93. Based on staff's analysis of financial documentation received, system revenues are sufficient to meet the current and proposed debt service.

### Cost Savings

Based on a 30-year maturity and current interest rates, the City could save approximately \$693,797 over the life of the loan.

### Internal Risk Score

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

The financial sustainability indicators for the City are strong. These indicators show the City's short-term and long-term ability to repay the debt. The City's system produces net revenues of 1.49 times the annual debt service requirements for the first year of principal repayment. This higher coverage level indicates greater flexibility to withstand unexpected expenses or declines in demand while still assuring repayment of debt. Additionally, the long term condition of the system is sound. A measure to show the long-term condition of the system is the asset condition ratio. The City's asset condition ratio is 21 years. This shows a moderate level of reinvestment in the system's long-term assets to generate future revenues.

In addition, taxable property in the City has increased steadily over the last five years and tax collection rates are high. However, the net taxable assessed valuation per capita of \$30,112 is low.

The City's socioeconomic indicators are low. The City's average median household income of \$33,449 is 64% of the median for the State overall. The lower median household income results in a projected household cost factor of 2.54%, which is above the industry benchmark of 2% of the median household income for water and wastewater service. Furthermore, there is a moderately high concentration of system revenues with the top ten users accounting for 32% and 28% of water and wastewater revenues, respectively. This is primarily due to the presence of the Texas Department of Criminal Justice Facilities in the City.

The City maintains moderate liquidity with cash and short-term investments equivalent to 139 days of operating expenses. Any amount over 250 days is considered to be a very high level of

liquidity. Adequate liquidity provides greater stability to a utility system by providing the resources needed to cover short-term, unplanned needs.

The City's total outstanding per capita debt of \$1,833 with the proposed financing is considered to be a moderately low level of debt. The City's debt that is paid with ad valorem tax revenues is very low at 1.73% of the total taxable value of properties in the City. A ratio of 5% is high, and over 12% is not recommended.

The City's socioeconomic indicators are weak, and system rates are high as a percent of the median household income, but the utility system produces substantial net revenues available for debt service. The City is assigned a risk score of 2B.

## **LEGAL**

### Key Issues

None.

### Conditions

Standard CWSRF, tax-exempt, and tax and surplus net revenue conditions.

- 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 Bonham
<b>Program</b>	Clean Water State Revolving Fund
<b>Commitment Code</b>	L1000542
<b>Project Number</b>	73735
<b>Intended Use Plan Year</b>	2016
<b>Fund Number</b>	651
<b>Type of Pledge</b>	3- Combo Tax and Rev
<b>Revenue Pledge Level</b>	Third
<b>Legal Description</b>	\$3,800,000 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
<b>Population</b>	10,059
<b>Rural</b>	No
<b>Water Connections</b>	3,418
<b>Wastewater Connections</b>	2,897
<b>Qualifies as Disadvantaged</b>	Yes
<b>Disadvantaged Level</b>	9
<b>Clean Water State Revolving Fund Type</b>	Non-Equivalency
<b>SWIFT Financing Type</b>	N/A
<b>SWIFT Characteristic</b>	N/A
<b>Financial Managerial &amp; Technical Complete</b>	N/A
<b>Funding Phase Code</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**

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

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
City of Bonham

**City of Bonham, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016**

<b>Dated Date:</b>	<b>10/7/2016</b>	<b>Source:</b>	<b>CWSRF-NON-EQUIVALENCY</b>
<b>Delivery Date:</b>	<b>10/7/2016</b>	<b>Rate:</b>	<b>0.74%</b>
<b>First Interest:</b>	<b>2/15/2017</b>	<b>Insurance:</b>	<b>No</b>
<b>First Principal:</b>	<b>2/15/2018</b>	<b>Case:</b>	<b>Revenue</b>
<b>Last Principal:</b>	<b>2/15/2046</b>	<b>Admin.Fee:</b>	<b>\$ 69,023</b>
<b>Fiscal Year End:</b>	<b>09/30</b>	<b>Admin. Fee Payment Date:</b>	<b>10/7/2016</b>
<b>Required Coverage:</b>	<b>1.1</b>		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$3,800,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2017	1,633,695	951,941	-	0.00%	24,058	24,058	975,999	1.67
2018	1,633,695	947,438	120,000	0.74%	27,676	147,676	1,095,114	1.49
2019	1,633,695	947,810	120,000	0.74%	26,788	146,788	1,094,598	1.49
2020	1,633,695	942,859	120,000	0.74%	25,900	145,900	1,088,759	1.50
2021	1,633,695	947,509	120,000	0.74%	25,012	145,012	1,092,521	1.50
2022	1,633,695	946,878	120,000	0.74%	24,124	144,124	1,091,002	1.50
2023	1,633,695	360,975	120,000	0.74%	23,236	143,236	504,211	3.24
2024	1,633,695	330,375	125,000	0.74%	22,330	147,330	477,705	3.42
2025	1,633,695	330,225	125,000	0.74%	21,405	146,405	476,630	3.43
2026	1,633,695	330,075	125,000	0.74%	20,480	145,480	475,555	3.44
2027	1,633,695	245,000	125,000	0.74%	19,555	144,555	389,555	4.19
2028	1,633,695	245,000	125,000	0.74%	18,630	143,630	388,630	4.20
2029	1,633,695	245,000	130,000	0.74%	17,686	147,686	392,686	4.16
2030	1,633,695	245,000	130,000	0.74%	16,724	146,724	391,724	4.17
2031	1,633,695	245,000	130,000	0.74%	15,762	145,762	390,762	4.18
2032	1,633,695	245,000	130,000	0.74%	14,800	144,800	389,800	4.19
2033	1,633,695	245,000	130,000	0.74%	13,838	143,838	388,838	4.20
2034	1,633,695	245,000	135,000	0.74%	12,858	147,858	392,858	4.16
2035	1,633,695	245,000	135,000	0.74%	11,859	146,859	391,859	4.17
2036	1,633,695	245,000	135,000	0.74%	10,860	145,860	390,860	4.18
2037	1,633,695	-	135,000	0.74%	9,861	144,861	144,861	11.28
2038	1,633,695	-	135,000	0.74%	8,862	143,862	143,862	11.36
2039	1,633,695	-	140,000	0.74%	7,844	147,844	147,844	11.05
2040	1,633,695	-	140,000	0.74%	6,808	146,808	146,808	11.13
2041	1,633,695	-	140,000	0.74%	5,772	145,772	145,772	11.21
2042	1,633,695	-	140,000	0.74%	4,736	144,736	144,736	11.29
2043	1,633,695	-	140,000	0.74%	3,700	143,700	143,700	11.37
2044	1,633,695	-	145,000	0.74%	2,646	147,646	147,646	11.06
2045	1,633,695	-	145,000	0.74%	1,573	146,573	146,573	11.15
2046	1,633,695	-	140,000	0.74%	518	140,518	140,518	11.63
		\$ 9,486,085	\$ 3,800,000		\$ 445,895	\$ 4,245,895	\$ 13,731,980	

<b>AVERAGE (MATURITY) LIFE</b>	<b>15.86 YEARS</b>
<b>NET INTEREST RATE</b>	<b>0.740%</b>
<b>COST SAVINGS</b>	<b>\$693,797</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$457,733</b>



**Bonham**  
**73735 WWTP Rehabilitation**  
**Engineering and Environmental Review**

**Engineering:**Key Issues:

None

Project Need/Description

Project Need: The City of Bonham's (City) wastewater system consists of a wastewater treatment plant (WWTP), a conventional gravity system and four lift stations. Due to failures at the WWTP, along with noncompliance of Texas Commission on Environmental Quality (TCEQ) wastewater standards, an agreed order was issued in 2014. As a result, the City began taking corrective action by making improvements to the WWTP using local funds. Additionally, the City received a grant from the Texas Department of Agriculture for rehabilitation of the Ultraviolet disinfection facilities. This work is in design at present and should be completed by the end of 2016.

Project Description: After a comprehensive review of the WWTP in conjunction with the agreed order, the City is proposing to make several improvements to the WWTP to bring it into compliance with TCEQ wastewater requirements which include updating the Sequencing Batch Reactor equipment, adding additional sludge handling facilities, reconstructing the master lift station, and providing various other needed improvements.

**Project Schedule:**

<b>Project Task</b>	<b>Schedule Date</b>
Closing	10/7/2016
Engineering Feasibility Report Completion (End of Planning Phase)	2/15/2017
Design Phase Complete	8/15/2017
Start of Construction	2/15/2018
Construction Completion	6/1/2019

**Environmental Section:**Key Issues:

None known at this time.

Environmental Summary:

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude construction of the project. Based on this initial environmental review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect project implementation.

Pursuant to the requirements of 31 Texas Administrative Chapter 375, Subchapter E, all financial assistance shall be conditioned to read that funding for design and construction costs for specific project elements will not be released until the environmental review has been completed and a favorable environmental determination has been issued.



**Project Budget Summary**  
**Bonham**  
**73735 - WWTP Rehabilitation**

Budget Items	This Commitment	Total
<b>Construction</b>		
Construction	\$2,661,000.00	\$2,661,000.00
<b>Subtotal for Construction</b>	<b>\$2,661,000.00</b>	<b>\$2,661,000.00</b>
<b>Basic Engineering Services</b>		
Construction Engineering	\$80,000.00	\$80,000.00
Design	\$220,000.00	\$220,000.00
Planning	\$65,000.00	\$65,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$365,000.00</b>	<b>\$365,000.00</b>
<b>Special Services</b>		
Application	\$18,000.00	\$18,000.00
Environmental	\$12,000.00	\$12,000.00
Inspection	\$100,000.00	\$100,000.00
O&M Manual	\$25,000.00	\$25,000.00
Project Management (by engineer)	\$25,000.00	\$25,000.00
Special Service Other (Warranty Review/Record Drawings)	\$15,000.00	\$15,000.00
Surveying	\$9,000.00	\$9,000.00
Testing	\$8,000.00	\$8,000.00
<b>Subtotal for Special Services</b>	<b>\$212,000.00</b>	<b>\$212,000.00</b>
<b>Fiscal Services</b>		
Bond Counsel	\$26,500.00	\$26,500.00
Financial Advisor	\$51,000.00	\$51,000.00
Issuance Costs	\$10,477.00	\$10,477.00
Loan Origination Fee	\$69,023.00	\$69,023.00
<b>Subtotal for Fiscal Services</b>	<b>\$157,000.00</b>	<b>\$157,000.00</b>
<b>Other</b>		
Administration	\$3,000.00	\$3,000.00
Project Legal Expenses	\$10,000.00	\$10,000.00
<b>Subtotal for Other</b>	<b>\$13,000.00</b>	<b>\$13,000.00</b>
<b>Contingency</b>		
Contingency	\$392,000.00	\$392,000.00
<b>Subtotal for Contingency</b>	<b>\$392,000.00</b>	<b>\$392,000.00</b>
<b>Total</b>	<b>\$3,800,000.00</b>	<b>\$3,800,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$3,800,000 TO THE CITY OF BONHAM  
FROM THE CLEAN WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$3,800,000 CITY OF BONHAM, TEXAS COMBINATION TAX AND SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION  
PROPOSED SERIES 2016

(16- )

WHEREAS, the City of Bonham (City) has filed an application for financial assistance in the amount of \$3,800,000 from the Clean Water State Revolving Fund (CWSRF) to finance the planning, design and construction of certain wastewater system improvements identified as Project No. 73735; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$3,800,000 City of Bonham, 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 tax and surplus revenue as sufficient security for the repayment of the Obligations; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 375.14;

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;

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

A commitment is made by the TWDB to the City of Bonham for financial assistance in the amount of \$3,800,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$3,800,000 City of Bonham, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2016. This commitment will expire on August 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 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 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 contain a provision that provides as follows:
  - a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or
  - b. if surplus revenues are based upon budgeted amounts:
    - i. the Obligations must include a requirement that the City transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance authorizing the issuance of the Obligations must include a requirement that the City shall not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;
    - ii. the Obligations must include a requirement that for each year the Obligations are outstanding, and prior to the time taxes are to be levied for such year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Obligations; and

- iii. the Obligations must include a requirement that the City shall at all times maintain and collect sufficient rates and charges in conjunction with any other legally available funds so that after payment of the costs of operating and maintaining the system, it produces revenues in an amount not less than **1.10** times debt service requirements of all outstanding Obligations of the City and other obligations of the City which are secured in whole or in part by the pledged revenues, for which the City is budgeting the repayment of such Obligations, or the City shall provide documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements.

APPROVED and ordered of record this 11th day of August, 2016.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Bech K. Bruun, Chairman

DATE SIGNED: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Jeff Walker  
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 Bonham,  
Fannin County**

