

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: September 22, 2016

TEAM MANAGER: Caaren Skrobarczyk

APPLICANT	City of Troy
TYPE OF ASSISTANCE	\$2,100,000 Loan
LEGAL PLEDGE	Ad valorem tax and surplus revenues of the utility system

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the City of Troy (Bell County) for a loan in the amount of \$2,100,000 from the Drinking Water State Revolving Fund to finance the construction of a new water well and associated improvements.

PROJECT

Water Well Expansion
Project Number 62701

BACKGROUND

The City of Troy (City) is located approximately eight miles north of Temple. During the 1990s, the City renamed itself "Troy Aikman, Texas," in honor of the Dallas Cowboys Super Bowl-winning quarterback. City limits signs on Interstate 35 reflected the name change. The City has subsequently shortened the name to the "City of Troy."

The City currently utilizes water produced from a well and treated surface water purchased from a wholesale provider. The City is solely reliant on a single wholesale water system to meet peak water demands during high summer water usage and is increasingly at risk for excessive total trihalomethanes.

The City proposes to construct a second well to supplement its current supplies, and a ground storage tank, pressure tank, pump station, disinfection system and water main installation as required to connect to the existing distribution system. This project includes the preparation of an asset management plan.

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE SEPTEMBER 30, 2017.

FINANCIAL

Key Issues

None.

Pledge and Repayment

The City is pledging ad valorem taxes and surplus revenues for the repayment of the proposed loan. The City's current average monthly water and wastewater bill is \$96.41. Current utility system revenues are 183% of the existing and proposed debt service in 2017. A rate increase is not required for payment of the proposed debt service.

Cost Savings

Based on a 30-year maturity and current interest rates, the City could save approximately \$428,289 over the life of the loan.

Internal Risk Score

Staff assigns a 2B to the City and proposed project. This means that the City's payment capacity is adequate.

The City's socioeconomic indicators are comparable to the State of Texas (State) overall. The City's population increased at an average annual rate of 1.79% since 2000, compared to an increase at an annual rate of 1.61% for the population of the State overall. The City's median household income is \$47,639, which is 90% of the median for the State overall. The unemployment rate for the county was 4.4% in March 2016, compared to 4.5% in the State overall.

The City currently has a moderate level of debt and, as previously discussed, is able to meet its debt service with existing net revenues from the utility system. The proposed project would require the City to assume a moderately high level of debt. Current total outstanding per capita debt is \$842, and would increase to \$2,053 with the proposed financing. The City uses both taxes and revenues of the utility system to pay for existing debt service, however, current net revenues of the utility system alone are sufficient to pay both the existing and proposed debt service.

The City has increased net revenues available for debt service primarily through reducing its expenses. The City's utility system produced average, annual net revenues available for debt service of \$282,153 from 2012 to 2014. In 2015, net revenues were \$309,849, which is approximately 10% above the prior 3-year average.

The City has a slight concentration in repayment source with one customer, C and H Die Casting (C and H), representing 14% of water revenues, and the same percentage of wastewater revenues. C and H is a high-pressure aluminum diecaster that produces component parts for automotive, diesel engine, HVAC, and other industrial markets. It has approximately 315 workers. The top ten water customers, including C and H, represent 34% of the water service revenues.

The City maintains substantial liquidity in the utility system. The utility system has 583 days of cash on hand, which is an estimate of how many days of cash operating expenses the City could pay with current cash and short-term investments. Days of cash on hand greater than 250 days is considered moderately high, and indicates a high level of liquidity in the utility system.

The City does not need a rate increase to pay for its existing and proposed debt service, but the current utility system rates are moderately high with a household cost factor of 2.42% for water and wastewater services. The industry benchmark for the household cost factor is 2%.

The City's socioeconomic indicators are good, current debt is moderate, but with the proposed debt will be moderately high, the utility system produces substantial net revenues, but revenues are concentrated with a few customers, and system rates are high. This gives the City less flexibility to assume additional debt if needed, or to increase system rates. The City is assigned a risk score of 2B.

LEGAL

Key Issues

None.

Conditions

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

- Water rights certification;
- Emergency discovery conditions;
- Adopt water conservation plan; and
- Useful life determination.

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 Troy
Program	Drinking Water State Revolving Fund
Commitment Code	L1000536
Project Number	62701
Intended Use Plan Year	2016
Fund Number	951
Type of Pledge	3- Combo Tax and Rev
Revenue Pledge Level	Third
Legal Description	\$2,100,000 Combination Tax and Surplus Revenues, Certificates of Obligation, Proposed Series 2016
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	1,750
Rural	Yes
Water Connections	710
Wastewater Connections	710
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	No
Funding Phase Code	Planning, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Approvable
Water Rights Certification Required	Yes
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

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

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Troy

ATTACHMENT 2

\$2,100,000 Combination Tax and Surplus Revenues, Certificates of Obligation, Proposed Series 2016

Dated Date: 12/3/2016
Delivery Date: 12/3/2016
First Interest: 2/1/2017
First Principal: 8/1/2017
Last Principal: 8/1/2047
Fiscal Year End: 08/31
Required Coverage: 1.1

Source: DWSRF
Rate: 1.25%
Insurance: No
Case: Tax and Revenue
Admin.Fee: \$ 46,210
Admin. Fee Payment Date: 12/3/2016
Total Assessed Valuation: \$ 95,547,060

FISCAL YEAR	EXISTING TAX RATE	TAX REVENUES WITH COLL. @ 90%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$2,100,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
								INTEREST PAYMENT	TOTAL PAYMENT		
2017	0.130	111,790	309,849	421,639	163,264	50,000	1.25%	17,354	67,354	230,618	1.83
2018	0.130	111,790	309,849	421,639	158,866	50,000	1.25%	25,625	75,625	234,491	1.80
2019	0.130	111,790	309,849	421,639	164,415	55,000	1.25%	25,000	80,000	244,415	1.73
2020	0.130	111,790	309,849	421,639	130,199	55,000	1.25%	24,313	79,313	209,512	2.01
2021	0.130	111,790	309,849	421,639	127,209	55,000	1.25%	23,625	78,625	205,834	2.05
2022	0.130	111,790	309,849	421,639	134,219	55,000	1.25%	22,938	77,938	212,157	1.99
2023	0.130	111,790	309,849	421,639	130,930	55,000	1.25%	22,250	77,250	208,180	2.03
2024	0.130	111,790	309,849	421,639	127,641	60,000	1.25%	21,563	81,563	209,204	2.02
2025	0.130	111,790	309,849	421,639	129,352	60,000	1.25%	20,813	80,813	210,165	2.01
2026	0.130	111,790	309,849	421,639	130,914	60,000	1.25%	20,063	80,063	210,977	2.00
2027	0.130	111,790	309,849	421,639	127,326	60,000	1.25%	19,313	79,313	206,639	2.04
2028	0.130	111,790	309,849	421,639	128,738	60,000	1.25%	18,563	78,563	207,301	2.03
2029	0.130	111,790	309,849	421,639	-	65,000	1.25%	17,813	82,813	82,813	5.09
2030	0.130	111,790	309,849	421,639	-	65,000	1.25%	17,000	82,000	82,000	5.14
2031	0.130	111,790	309,849	421,639	-	65,000	1.25%	16,188	81,188	81,188	5.19
2032	0.130	111,790	309,849	421,639	-	65,000	1.25%	15,375	80,375	80,375	5.25
2033	0.130	111,790	309,849	421,639	-	70,000	1.25%	14,563	84,563	84,563	4.99
2034	0.130	111,790	309,849	421,639	-	70,000	1.25%	13,688	83,688	83,688	5.04
2035	0.130	111,790	309,849	421,639	-	70,000	1.25%	12,813	82,813	82,813	5.09
2036	0.130	111,790	309,849	421,639	-	70,000	1.25%	11,938	81,938	81,938	5.15
2037	0.130	111,790	309,849	421,639	-	75,000	1.25%	11,063	86,063	86,063	4.90
2038	0.130	111,790	309,849	421,639	-	75,000	1.25%	10,125	85,125	85,125	4.95
2039	0.130	111,790	309,849	421,639	-	75,000	1.25%	9,188	84,188	84,188	5.01
2040	0.130	111,790	309,849	421,639	-	75,000	1.25%	8,250	83,250	83,250	5.06
2041	0.130	111,790	309,849	421,639	-	80,000	1.25%	7,313	87,313	87,313	4.83
2042	0.130	111,790	309,849	421,639	-	80,000	1.25%	6,313	86,313	86,313	4.89
2043	0.130	111,790	309,849	421,639	-	80,000	1.25%	5,313	85,313	85,313	4.94
2044	0.130	111,790	309,849	421,639	-	85,000	1.25%	4,313	89,313	89,313	4.72
2045	0.130	111,790	309,849	421,639	-	85,000	1.25%	3,250	88,250	88,250	4.78
2046	0.130	111,790	309,849	421,639	-	85,000	1.25%	2,188	87,188	87,188	4.84
2047	0.130	111,790	309,849	421,639	-	90,000	1.25%	1,125	91,125	91,125	4.63
				\$ 13,070,811	\$ 1,653,073	\$ 2,100,000		\$ 449,229	\$ 2,549,229	\$ 4,202,302	

AVERAGE (MATURITY) LIFE	17.11 YEARS
NET INTEREST RATE	1.250%
COST SAVINGS	\$ 428,289
AVERAGE ANNUAL REQUIREMENT	\$135,558



Troy
62701 Water Well Expansion
Engineering and Environmental Review

Engineering:Key Issues:

None known at this time.

Project Need/Description

The City of Troy (City) currently utilizes water produced from one well and treated surface water purchased from a wholesale provider. The City is solely reliant on a single wholesale water system to meet peak water demands during high summer water usage and is increasingly at risk for excessive total trihalomethanes. The City has been unable to secure a long-term wholesale contract and needs to develop a new well to obtain additional long-term water supply.

The City proposes to construct a second well to supplement its current supplies. The project will also include the construction of a ground storage tank, pressure tank, pump station, disinfection system and water main installation as required to connect the well to the existing distribution system. This project also includes the preparation of an asset management plan. This planning process would develop strategies to maximize value of existing water system assets and maintain financial capacity to make scheduled repairs and planned replacement of assets.

Project Schedule:

Project Task	Schedule Date
Closing	12/3/2016
Engineering Feasibility Report Completion (End of Planning Phase)	12/10/2016
Design Phase Complete	1/10/2017
Start of Construction	3/2/2017
Construction Completion	7/31/2017

Environmental Section:Key Issues:

None known at this time.

Environmental Summary:

A Categorical Exclusion (CE) for this project was issued on June 21, 2016. 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
Troy
62701 - Water Well Expansion

Budget Items	TWDB Funds	Total
Construction		
Construction	\$1,585,000.00	\$1,585,000.00
Subtotal for Construction	\$1,585,000.00	\$1,585,000.00
Basic Engineering Services		
Construction Engineering	\$5,000.00	\$5,000.00
Design	\$75,000.00	\$75,000.00
Planning	\$25,000.00	\$25,000.00
Subtotal for Basic Engineering Services	\$105,000.00	\$105,000.00
Special Services		
Application	\$5,500.00	\$5,500.00
Environmental	\$8,000.00	\$8,000.00
Geotechnical	\$6,000.00	\$6,000.00
Inspection	\$40,000.00	\$40,000.00
O&M Manual	\$2,000.00	\$2,000.00
Permits	\$38,000.00	\$38,000.00
Project Management (by engineer)	\$8,000.00	\$8,000.00
Surveying	\$8,000.00	\$8,000.00
Water Distribution Modeling	\$7,000.00	\$7,000.00
Subtotal for Special Services	\$122,500.00	\$122,500.00
Fiscal Services		
Bond Counsel	\$22,000.00	\$22,000.00
Financial Advisor	\$20,000.00	\$20,000.00
Loan Origination Fee	\$46,210.00	\$46,210.00
Subtotal for Fiscal Services	\$88,210.00	\$88,210.00
Other		
Administration	\$10,500.00	\$10,500.00
Project Legal Expenses	\$15,000.00	\$15,000.00
Subtotal for Other	\$25,500.00	\$25,500.00
Contingency		
Contingency	\$173,790.00	\$173,790.00
Subtotal for Contingency	\$173,790.00	\$173,790.00
Total	\$2,100,000.00	\$2,100,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
 \$2,100,000 TO CITY OF TROY
 FROM THE DRINKING WATER STATE REVOLVING FUND
 THROUGH THE PROPOSED PURCHASE OF
 \$2,100,000 CITY OF TROY, TEXAS COMBINATION TAX AND SURPLUS REVENUES
 CERTIFICATES OF OBLIGATION,
 PROPOSED SERIES 2016

(16-)

WHEREAS, the City of Troy (City) has filed an application for financial assistance in the amount of \$2,100,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain water system improvements identified as Project No. 62701; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$2,100,000 City of Troy, 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 a lien on the surplus revenues of the utility system as sufficient security for the repayment of the Obligations;

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 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 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);
4. 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);

5. that the City has submitted a proposed program of water conservation 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; and
6. that the Executive Administrator issued a Categorical Exclusion on June 21, 2016, 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 Troy for financial assistance in the amount of \$2,100,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$2,100,000 City of Troy, Texas Combination Tax and Surplus Revenues Certificates of Obligation, Proposed Series 2016. This commitment will expire on September 30, 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. prior to closing, the City shall adopt and implement the water conservation program approved by the TWDB;
36. prior to the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must either issue a written finding that the City has the right to use the water that the project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction;
37. prior to the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the City has the right to use the water that the project financed by the TWDB will provide;
38. prior to the release of funds, the City shall provide a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average estimated useful life of the project, as determined by the schedule; and

39. 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 22nd day of September, 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
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 Troy, Bell County

