

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: September 22, 2016

TEAM MANAGER: Mireya Loewe

APPLICANT	City of Edinburg
TYPE OF ASSISTANCE	\$5,405,00 Loan
LEGAL PLEDGE	Junior Lien on Net Revenues of the Waterworks and Sewer System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve, by resolution, a request from the City of Edinburg (Hidalgo County) for a \$5,405,000 loan from the Drinking Water State Revolving Fund to finance the planning, design, and construction of improvements to and expansion of its West water treatment plant.

PROJECT

West WTP Expansion
Project Number 62597

BACKGROUND

The City of Edinburg (City) operates two water treatment plants (WTP) with a total combined capacity of 18 million gallons per day (mgd). The West WTP was built in 2007 with an eight mgd capacity. The East (Downtown) WTP consist of three treatment plants constructed between 1929 and 1991 and has a capacity of 10 mgd.

On September 19, 2013, the Texas Water Development Board (TWDB) committed a \$10,425,000 loan (L1000190) from the Drinking Water State Revolving Fund (DWSRF) to fund an eight mgd expansion to the City’s West WTP. Subsequently, the City bid the construction of the project and executed a \$13,093,300 construction contract. The City pledged its own funds to complete the project. However, the City’s intentions were to request additional DWSRF funding at a later time to complete the project in lieu of using its own reserve funds.

During the course of the project, the City identified issues with its reservoir system that would limit the full use of the WTP’s expanded capacity. Thus, to address these additional project needs, the City now plans to include the rehabilitation of the existing reservoir system and construction of a new raw water pump intake and lift station at the West WTP.

The City’s current request includes the additional funding necessary to complete the construction of the eight mgd expansion of the West WTP, as well as for the planning, design, and construction costs related to the reservoir system improvements,

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

Key Issues

None

Pledge and Repayment

The City is pledging a junior lien on the net revenues of the waterworks and sewer system for the repayment of the proposed loan. Based on staff's analysis of financial documentation received, current revenues are sufficient to meet the proposed debt service requirements.

Cost Savings

Based on a 20-year maturity and current interest rates, the City could save approximately \$680,058 over the life of the loan.

Internal Risk Score

Staff assigns a 2A 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 strong.

The financial sustainability indicators for the City are strong. The City shows that it has the ability to repay its debt. The City produces net revenues of 1.59 times the annual debt service requirements for the first year of principal repayment. This higher coverage level indicates the City's ability to handle unexpected expenses or declines in demand and still meet debt service requirements. Additionally, the long-term condition of the system is sound with an asset condition ratio of 26 years. This indicates a high level of reinvestment in the City's long-term assets to generate future revenues.

The City scored well on other indicators showing the overall health of the City. Overall, the City has been able to retain its revenues, as evidenced by an increase in the fund balance over the last five years relative to revenues. In addition, taxable property in the City has been stable over the last five years. This has resulted in an adequate net taxable assessed valuation per capita of \$42,972.

The City's socioeconomic indicators are below the state's median overall. The median household income of \$42,498 is 80.8% of the state's median. The City's unemployment rate of 4.5% is above the state average of 4.2%.

The City maintains a good liquidity position with cash and short-term investments equal to 657 days of operating expenses. An amount over 250 days is considered to be a very high level of liquidity. Strong liquidity provides greater stability to the City by providing the resources needed to cover short-term, unplanned needs.

The City's financial sustainability indicators are positive, operating trends are positive, and liquidity is high. The City is assigned a risk score of 2A.

LEGAL

Key Issues

None.

Conditions

Standard Drinking Water State Revolving Fund, tax-exempt, and 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

Responsible Authority	City of Edinburg
Program	Drinking Water State Revolving Fund
Commitment Codes	L1000545
Project Number	62597
Intended Use Plan Year	2016
Fund Number	951
Type of Pledge	5
Revenue Pledge Level	Second
Legal Description	City of Edinburg, Texas Waterworks and Sewer System Junior Lien Revenue Bonds, Proposed Series 2016
Tax-Exempt or Taxable	Tax Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay=Escrow
Population	83,014
Rural	No
Water Connections	27,052
Wastewater Connections	20,681
Qualifies as Disadvantaged	No
Disadvantaged Level	9 - NA
Clean Water State Revolving Fund Type	N/A
Financial, Managerial and Technical Review Complete?	No
SWIFT Financing Type	N/A
SWIFT Project Type	N/A
Phase Committing	Planning, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	2A
External Ratings	
Standard and Poor's	AA-
Moody's	Not Rated
Fitch	AA-
Special Issues	None

Project Team

Team Manager	Mireya Loewe
Financial Analyst	Javier Pena
Engineering Reviewer	Donald Dawkins
Environmental Reviewer	Lauren Dill
Attorney	Joe Reynolds

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Edinburg

\$5,405,000 Waterworks and Sewer System Jr. Lien Revenue Bonds, Proposed Series 2016

Dated Date:	12/15/2016	Source:	DWSRF
Delivery Date:	12/15/2016	Rate:	0.690%
First Interest:	3/1/2017	Insurance:	No
First Principal:	3/1/2017	Case:	Revenue
Last Principal:	3/1/2036	Admin.Fee:	\$ 118,936
Fiscal Year End:	09/30	Admin. Fee Payment Date:	12/15/2016
Required Coverage:	1.0		

FISCAL YEAR	PROJECTED	CURRENT	\$5,405,000 ISSUE					TOTAL DEBT SERVICE	COVERAGE
	NET SYSTEM REVENUES	DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE		
2017	5,836,905	3,392,956	270,000	0.00%	17,394	287,394	3,680,350	1.59	
2018	5,836,905	3,402,516	265,000	0.00%	24,461	289,461	3,691,977	1.58	
2019	5,836,905	3,142,266	265,000	0.00%	24,461	289,461	3,431,727	1.70	
2020	5,836,905	3,139,730	265,000	0.00%	24,461	289,461	3,429,191	1.70	
2021	5,836,905	3,132,005	265,000	0.00%	24,461	289,461	3,421,466	1.71	
2022	5,836,905	3,141,450	265,000	0.00%	24,461	289,461	3,430,911	1.70	
2023	5,836,905	3,136,941	265,000	0.00%	24,461	289,461	3,426,402	1.70	
2024	5,836,905	3,141,383	265,000	0.69%	23,546	288,546	3,429,929	1.70	
2025	5,836,905	3,140,182	265,000	0.69%	21,718	286,718	3,426,900	1.70	
2026	5,836,905	3,137,505	265,000	0.69%	19,889	284,889	3,422,394	1.71	
2027	5,836,905	3,128,510	270,000	0.69%	18,044	288,044	3,416,554	1.71	
2028	5,836,905	3,137,681	270,000	0.69%	16,181	286,181	3,423,862	1.70	
2029	5,836,905	3,138,164	270,000	0.69%	14,318	284,318	3,422,482	1.71	
2030	5,836,905	2,223,122	270,000	0.69%	12,455	282,455	2,505,577	2.33	
2031	5,836,905	1,935,381	275,000	0.69%	10,574	285,574	2,220,955	2.63	
2032	5,836,905	1,938,741	275,000	0.69%	8,677	283,677	2,222,418	2.63	
2033	5,836,905	622,309	275,000	0.69%	6,779	281,779	904,088	6.46	
2034	5,836,905	622,908	280,000	0.69%	4,865	284,865	907,773	6.43	
2035	5,836,905	622,749	280,000	0.69%	2,933	282,933	905,682	6.44	
2036	5,836,905	-	285,000	0.69%	983	285,983	285,983	20.41	
		\$ 49,276,499	\$ 5,405,000		\$ 325,117	\$ 5,730,117	\$ 55,006,616		

AVERAGE (MATURITY) LIFE	9.82 YEARS
NET INTEREST RATE	0.690%
COST SAVINGS	\$680,058
AVERAGE ANNUAL REQUIREMENT	\$2,750,331

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable.



**City of Edinburg
62597 West WTP Expansion
Engineering and Environmental Review**

Engineering:

Key Issues:

None noted.

Project Need/Description

Needs: The City of Edinburg (City) operates two water treatment plants (WTP) with a total capacity of 18 million gallons per day (mgd). With over 27,000 existing connections the City's maximum daily water usage remains below its existing treatment capacity; however, under the Texas Commission on Environmental Quality's (TCEQ) alternative capacity requirement, the City must provide a treatment capacity of 0.49 gallons per minute per connection, or over 19 mgd per the current number of connections. As a result, the City needs to expand its West WTP to meet TCEQ requirements. In addition, the existing reservoir system will not provide adequate raw water to meet the required expanded treatment capacity of the West WTP.

Project Description: The project includes expansion of the City's existing West WTP from 8 mgd to 16 mgd within the existing facility site. It also includes upgrades to the West WTP's reservoir system, including 1) adding intake pipes between the Hidalgo County Irrigation District's canal No. 1 and reservoir cell No. 2; 2) clean-out of reservoir cell No. 2; 3) construction of a raw water lift station; and 4) adding a pump station at reservoir cell No. 2 to increase the water levels in reservoir cells Nos. 1, 3, 4, and 5.

Project Schedule:

Project Task	Schedule Date
Construction Start	1/6/2016
Closing	12/15/2016
Construction Completion	8/18/2017

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

As required by 31 Texas Administrative Code § 371.41, environmental review of the proposed project has been completed. A Finding of No Significant Impact (FNSI) was issued for the City of Edinburg's West Water Treatment Plant Expansion Project on February 14, 2014. A Statement of Findings was issued on August 19, 2016 to amend the FNSI to include additional project components being proposed through the City's current funding application. The proposed project is in compliance with the National Environmental Policy Act.



Current Budget Summary

Edinburg

62597 - West WTP Expansion

Budget Items	Previously Committed TWDB Funds (L1000190)	Current Request TWDB Funds (L1000545)	Total
Construction			
Construction	\$9,250,000.00	\$4,559,095.00	\$13,809,095.00
Subtotal for Construction	\$9,250,000.00	\$4,559,095.00	\$13,809,095.00
Basic Engineering Services			
Construction Engineering	\$114,181.00	\$0.00	\$114,181.00
Design	\$0.00	\$55,657.00	\$55,657.00
Planning	\$0.00	\$79,345.00	\$79,345.00
Subtotal for Basic Engineering Services	\$114,181.00	\$135,002.00	\$249,183.00
Special Services			
Application	\$35,000.00	\$0.00	\$35,000.00
Environmental	\$10,000.00	\$0.00	\$10,000.00
Inspection	\$225,829.00	\$35,220.00	\$261,049.00
Subtotal for Special Services	\$270,829.00	\$35,220.00	\$306,049.00
Fiscal Services			
Loan Origination Fee	\$229,401.00	\$118,936.00	\$348,337.00
Subtotal for Fiscal Services	\$229,401.00	\$118,936.00	\$348,337.00
Contingency			
Contingency	\$560,589.00	\$556,747.00	\$1,117,336.00
Subtotal for Contingency	\$560,589.00	\$556,747.00	\$1,117,336.00
Total	\$10,425,000.00	\$5,405,000.00	\$15,830,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$5,405,000 TO CITY OF EDINBURG
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$5,405,000 CITY OF EDINBURG, TEXAS WATERWORKS AND SEWER SYSTEM
JUNIOR LIEN REVENUE BONDS, PROPOSED SERIES 2016

(16-)

WHEREAS, the City of Edinburg (City) has filed an application for financial assistance in the amount of \$5,405,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design and construction of certain water system improvements identified as Project No. 62597; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$5,405,000 City of Edinburg, Texas Waterworks and Sewer System Junior Lien Revenue Bonds, 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 a junior lien on the net revenues of the City's combined waterworks and sewer 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 City has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.053(j); and
6. that the Executive Administrator issued a Statement of Findings to amend the Finding of No Significant Impact related to additional project components on August 19, 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 Edinburg for financial assistance in the amount of \$5,405,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$5,405,000 City of Edinburg, Texas Waterworks and Sewer System Junior Lien Revenue Bonds, 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 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 The City has secured from a Certified Public Accountant a certificate or opinion to the effect that, according the books and records of the City, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive calendar month period ending not more than ninety (90) days preceding the month the ordinance authorizing the Additional Junior lien Obligations is adopted, are at least equal to (a) one and one-quarter (1-1/4) (1.25 %) times the average annual debt service requirements for any outstanding Prior Lien Obligations plus (1) one and one-tenth (1-1/10) (1.10) times the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Junior Lien Obligations then proposed. In making a determination of the Net Revenues, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective not more than ninety (90) days prior to adoption of the ordinance authorizing

the issuance of the Additional Junior Lien Obligations and, for purposes of satisfying the Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion.

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

Special Conditions:

- 37 the City must comply with all conditions as specified in the final environmental finding of the Executive Administrator, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.

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 Edinburg Hidalgo County

