

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: November 17, 2016

TEAM MANAGER: Luis Farias

APPLICANT	City of West Tawakoni
TYPE OF ASSISTANCE	\$1,125,000 Loan
LEGAL PLEDGE	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 West Tawakoni (Hunt County) for a \$1,125,000 loan from the Drinking Water State Revolving Fund to finance the design and construction of a new ground storage tank, the rehabilitation of an existing ground storage tanks, and increase high service pump capacity.

PROJECT

Groundwater Storage Tank, Pumps & Water
Project Number 62698

BACKGROUND

The City of West Tawakoni (City) is located in Hunt County and is located on the west side of Lake Tawakoni, while its twin city East Tawakoni is located on the east side of the lake. In 2001, the Texas Legislature declared the City the “Catfish Capital of Texas” and the lake boasts some of the biggest blue cats in the south.

Due to population growth and an aging infrastructure, the City’s water system will not have adequate capacity to maintain required storage and pressure requirements. The City will rehabilitate the existing ground storage tank and north elevated storage tank to correct identified deficiencies. The project also includes increasing high service pump capacity to supply 20-year projected capacities; and construct a new ground storage tank.

FINANCIAL

Key Issues

None.

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

Pledge and Repayment

The City is pledging ad valorem taxes and surplus net revenues of the City's combined Waterworks and Sewer System for the repayment of the proposed loan. The City intends to repay the loan with the water and wastewater system revenues. The City's current combined average monthly water and wastewater rate is \$102.12. The City currently levies an interest and sinking fund tax rate of \$0.0881. Based on staff's analysis of financial documentation received, current revenues are sufficient to repay the current and proposed debt service.

Cost Savings

Based on a 30-year maturity and current interest rates, the City could save approximately \$189,312 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 results of the City's financial indicators are strong. The current revenue available for debt service provides 1.65 times coverage of the City's existing and proposed debt service in the first year of principal repayment. This robust coverage ratio shows that rate increases are not needed to meet the debt service requirements. In addition, the City's level of reinvestment in the assets of the utility's infrastructure is high with an estimated 28 years of assets. An asset ratio of 12 to 24 years is considered typical.

The City's socioeconomic indicators are lower than the State of Texas (State) overall. The City's population has increased at an average annual rate of 1.09% since 2000, compared to an increase at an annual rate of 1.60% for the population of the State overall. The City's average median household income is \$37,250, 71% of the median for the State overall. The lower median household income results in a projected household cost factor of 3.29%, which is above the industry benchmark of 2% for water and wastewater service.

The City's utility system maintains cash and short-term investments equivalent to approximately 51 days of the operating expenses of the utility system. This is considered to be a moderate 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 current total outstanding per capita debt is \$2,103, and would increase to \$2,772 with the proposed financing. This is considered to be a moderate level of debt. The City's total debt represents approximately 5.70% of the total taxable value of properties in the City. A ratio of 5% is high, and over 12% is not recommended. However, all of the debt is paid with self-supporting revenues, i.e. revenues from the utility system.

The City's socioeconomic indicators are low and debt is moderate, but the City produces substantial net revenues in the utility system and scores highly on the heavily weighted financial rating indicators. The City is assigned a risk score of 2A.

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:

- Prior to loan closing, adopted water conservation plan; and
- Standard emergency discovery.

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

Project Data Summary

Authority	City of West Tawakoni
Program	Drinking Water State Revolving Fund
Commitment Code	L1000541
Project Number	62698
Intended Use Plan Year	2016
Fund Number	951
Type of Pledge	3- Combo Tax and Rev
Revenue Pledge Level	Third
Legal Description	\$1,125,000 Combination Tax and Waterworks and Sewer System Surplus Revenue 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	1,616
Rural	Yes
Water Connections	980
Wastewater Connections	683
Qualifies as Disadvantaged	Yes
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	Design and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Approvable
Water Rights Certification Required	No
Internal Risk Score	2A
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	Luis Farias
Financial Analyst	Ben Munguia
Engineering Reviewer	Joe Koen
Environmental Reviewer	Kathy Calnan
Attorney	Annette Mass

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of West Tawakoni

\$1,125,000 City of West Tawakoni Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Proposed Series 2017

Dated Date: 1/15/2017	Source: DWSRF
Delivery Date: 1/15/2017	Rate: 1.43%
First Interest: 8/1/2017	Insurance: No
First Principal: 2/1/2018	Case: Revenue
Last Principal: 2/1/2047	Admin.Fee: \$24,756
Fiscal Year End: 09/30	Admin. Fee Payment Date: 1/15/2017
Required Coverage: 1.1	

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$1,125,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2017	394,043	225,046	-	-	8,759	8,759	233,805	1.69
2018	394,043	225,117	30,000	1.43%	15,873	45,873	270,990	1.45
2019	394,043	225,044	30,000	1.43%	15,444	45,444	270,488	1.46
2020	394,043	224,825	30,000	1.43%	15,015	45,015	269,840	1.46
2021	394,043	224,442	30,000	1.43%	14,586	44,586	269,028	1.46
2022	394,043	225,869	30,000	1.43%	14,157	44,157	270,026	1.46
2023	394,043	225,106	35,000	1.43%	13,692	48,692	273,798	1.44
2024	394,043	212,295	35,000	1.43%	13,192	48,192	260,487	1.51
2025	394,043	212,425	35,000	1.43%	12,691	47,691	260,116	1.51
2026	394,043	213,353	35,000	1.43%	12,191	47,191	260,543	1.51
2027	394,043	212,100	35,000	1.43%	11,690	46,690	258,790	1.52
2028	394,043	212,668	35,000	1.43%	11,190	46,190	258,857	1.52
2029	394,043	212,033	35,000	1.43%	10,689	45,689	257,722	1.53
2030	394,043	213,173	35,000	1.43%	10,189	45,189	258,361	1.53
2031	394,043	211,110	35,000	1.43%	9,688	44,688	255,798	1.54
2032	394,043	211,845	35,000	1.43%	9,188	44,188	256,033	1.54
2033	394,043	212,310	35,000	1.43%	8,687	43,687	255,997	1.54
2034	394,043	211,528	40,000	1.43%	8,151	48,151	259,679	1.52
2035	394,043	212,475	40,000	1.43%	7,579	47,579	260,054	1.52
2036	394,043	212,130	40,000	1.43%	7,007	47,007	259,137	1.52
2037	394,043	211,515	40,000	1.43%	6,435	46,435	257,950	1.53
2038	394,043	211,608	40,000	1.43%	5,863	45,863	257,471	1.53
2039	394,043	153,713	40,000	1.43%	5,291	45,291	199,004	1.98
2040	394,043	153,875	40,000	1.43%	4,719	44,719	198,594	1.98
2041	394,043	153,813	40,000	1.43%	4,147	44,147	197,960	1.99
2042	394,043	153,525	45,000	1.43%	3,539	48,539	202,064	1.95
2043	394,043	153,013	45,000	1.43%	2,896	47,896	200,908	1.96
2044	394,043	153,253	45,000	1.43%	2,252	47,252	200,505	1.97
2045	394,043	153,223	45,000	1.43%	1,609	46,609	199,831	1.97
2046	394,043	152,923	45,000	1.43%	965	45,965	198,888	1.98
2047	394,043	152,353	45,000	1.43%	322	45,322	197,674	1.99
		\$ 6,137,700	\$ 1,125,000		\$ 267,696	\$ 1,392,696	\$ 7,530,396	

AVERAGE (MATURITY) LIFE	16.64 YEARS
NET INTEREST RATE	1.430%
COST SAVINGS	\$189,312
AVERAGE ANNUAL REQUIREMENT	\$242,916

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.

**West Tawakoni
62698 Groundwater Storage Tank, Pumps &
Water Intake
Engineering and Environmental Review**

Engineering:

Key Issues:

None

Project Need/Description

Need: The City of West Tawakoni water system will not have adequate capacity to maintain required storage and pressure requirements during scheduled maintenance and rehabilitation of the existing facilities, due to population growth and an aging infrastructure.

Project Description: The City will rehabilitate the existing ground storage tank and North elevated storage tank to correct identified deficiencies. The project also includes increasing high service pump capacity to supply 20-year projected capacities; and construct a new ground storage tank.

Project Schedule:

Project Task	Schedule Date
Engineering Feasibility Report Completion (End of Planning Phase)	1/2/2017
Closing	1/15/2017
Design Phase Complete	2/28/2017
Start of Construction	4/1/2017
Construction Completion	8/31/2018

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

As required by 31 Texas Administrative Code (TAC) Chapter 371, Subchapter E, environmental review of the proposed project has been completed. A CE was issued on June 7, 2016 for improvements at the water treatment plant (WTP), including the construction of a ground storage tank on the plant site. The proposed project is in compliance with the National Environmental Policy Act.

Last Update: 10/12/2016

Budget Items	DWSRF L1000541 (Application)		
	TWDB Funds	Other Funds	Total
Construction			
Construction	\$854,066.00	\$0.00	\$854,066.00
Subtotal for Construction	\$854,066.00	\$0.00	\$854,066.00
Basic Engineering Services			
Construction Engineering	\$30,130.00	\$0.00	\$30,130.00
Design	\$90,397.00	\$0.00	\$90,397.00
Subtotal for Basic Engineering Services	\$120,527.00	\$0.00	\$120,527.00
Fiscal Services			
Bond Counsel	\$11,000.00	\$0.00	\$11,000.00
Financial Advisor	\$23,500.00	\$0.00	\$23,500.00
Issuance Costs	\$5,500.00	\$0.00	\$5,500.00
Loan Origination Fee	\$24,756.00	\$0.00	\$24,756.00
Subtotal for Fiscal Services	\$64,756.00	\$0.00	\$64,756.00
Contingency			
Contingency	\$85,651.00	\$0.00	\$85,651.00
Subtotal for Contingency	\$85,651.00	\$0.00	\$85,651.00
Total	\$1,125,000.00	\$0.00	\$1,125,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$1,125,000 TO CITY OF WEST TAWAKONI
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$1,125,000 CITY OF WEST TAWAKONI TAX AND WATERWORKS AND SEWER
SYSTEM SURPLUS REVENUE CERTIFICATES OF OBLIGATION,
PROPOSED SERIES 2016

(16 -)

WHEREAS, the City of West Tawakoni (City) has filed an application for financial assistance in the amount of \$1,125,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the design and construction of certain water system improvements identified as Project No. 62698; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$1,125,000 City of West Tawakoni Tax and Waterworks and Sewer System 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 tax and system revenue 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 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;
4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.053(j);
6. that the Executive Administrator issued a Categorical Exclusion on June 7, 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 West Tawakoni for financial assistance in the amount of \$1,125,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$1,125,000 City of West Tawakoni Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Proposed Series 2016. This commitment will expire on November 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;

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

- ii. 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. 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 17th day of November, 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.

West Tawakoni, Hunt County

