

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: November 17, 2016

TEAM MANAGER: Luis Farias

APPLICANT	Greater Texoma Utility Authority on behalf of the City of Sherman
TYPE OF ASSISTANCE	\$11,880,000 Loan
LEGAL PLEDGE	Contract Revenues

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the Greater Texoma Utility Authority on behalf of the City of Sherman (Grayson County) for a \$11,880,000 loan from the Drinking Water State Revolving Fund to finance the construction costs related to the expansion of the water treatment plant.

PROJECT

Sherman Water Treatment Plant Expansion and Upgrade/Elevated Storage Tank
Project Number 62648

BACKGROUND

The City of Sherman (City) is the County seat of Grayson County. It was named after General Sidney Sherman (July 23, 1805-August 1, 1873), a hero of the Texas Revolution. The community was designated as the county seat by the act of the Texas legislature which created Grayson County on March 17, 1846.

The City's water supply project will provide additional surface water for water user groups in Grayson County, supplementing the existing groundwater and surface water supplies. The water supply project includes the expansion of the Sherman Surface Water Treatment Plant to address regional needs.

The City will expand and upgrade the water treatment plant (WTP) to address its regional needs. The project will include a dual membrane treatment process for expansion of the WTP and a concentrated disposal pipeline to a lift station. To ensure necessary storage and pressure requirements, the City will also construct a 1.5 million gallon Elevated Storage Tank (EST). The City has closed on commitments for the planning, design and construction of the WTP and EST. This request will fund the pipeline and provide additional funds for increased construction costs for the WTP.

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

FINANCIAL

Key Issues

None.

Pledge and Repayment

The Authority is pledging contract revenues from the City, who is pledging the gross revenues of the water and sewer system in its contract with the Authority for the proposed loan. Based on staff's analysis of financial documentation received, 2015 system revenues are sufficient to meet the current and proposed debt service requirements in the first year of principal repayment.

Cost Savings

Based on a 20-year maturity and current interest rates, the City could save approximately \$1,332,608 over the life of the loan.

Internal Risk Score

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

The results of the City's financial indicators are mixed. These indicators are more heavily weighted than the other internal risk score factors, and show the City's short-term and long-term ability to repay the debt. The net revenues of the City's water system in 2015 represent 1.35 times the annual debt service requirements for the first year of principal repayment. This higher coverage gives the City more flexibility to meet unexpected expenses and to finance future improvements.

The City shows a moderately low level of reinvestment in the system's long-term assets. A measure to show the condition of the utility's capital assets is the asset condition ratio. The City's asset condition ratio is 11 years, which is slightly lower than the standard 12 to 24 years of remaining useful life.

The City's socioeconomic indicators are moderate. The City's population has increased at an average annual rate of 0.84% since 2000, compared to an increase at an annual rate of 1.60% for the population of the State overall. The average median household income is \$42,820, 81% of the median for the State overall. The projected household cost factor of 1.57% is below the industry benchmark of 2% of the median household income for water and wastewater service.

The City's overall debt profile is low, with self-supporting debt of the water and wastewater system representing 3.74 times the operating revenues. The low level of utility system supported debt gives the City more flexibility to issue additional debt in the future.

The City maintains cash and short-term investments that are not restricted for any use at the level of approximately 189 days of the operating expenses of the utility system. This is considered to a high level of liquidity. Adequate liquidity provides greater stability to a utility system by providing the resources needed to cover short-term, unplanned needs.

The City's socioeconomic indicators are moderate, the City produces sufficient net revenues in the utility system, debt is moderately low, and the projected household cost factor is below the industry benchmark. The City is assigned a risk score of 2B.

LEGAL

Key Issues

None.

Conditions

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

- Water rights certification;
- No amendment to contract; 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

Responsible Authority	Greater Texoma Utility Authority on behalf of the City of Sherman
Program	Drinking Water State Revolving Fund
Commitment Code	L1000558
Project Number	62648
Intended Use Plan Year	2016
Fund Number	951
Type of Pledge	4- Contract Revenue
Revenue Pledge Level	First
Legal Description	\$11,880,000 Greater Texoma Utility Authority Contract Revenue Bonds, Proposed Series 2017 (City of Sherman Projects)
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	43,199
Rural	No
Water Connections	13,304
Wastewater Connections	12,141
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	Construction
Pre-Design	No
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	AA-
Moody's	A1
Fitch	Non-Rated
Special Issues	None

Project Team

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

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Greater Texoma Utility Authority on behalf of the City of Sherman

\$11,880,000 Greater Texoma Utility Authority Contract Revenue Bonds, Proposed Series 2017 (City of Sherman Project)

Dated Date:	1/15/2017	Source:	DWSRF
Delivery Date:	1/15/2017	Rate:	0.88%
First Interest:	4/1/2017	Insurance:	No
First Principal:	10/1/2018	Case:	Revenues
Last Principal:	10/1/2037	Admin.Fee:	\$261,418
Fiscal Year End:	09/30	Admin. Fee Payment Date:	1/15/2017
Required Coverage:	1.0		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$11,880,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2017	8,516,198	4,250,125	-	-	22,070	22,070	4,272,195	1.99
2018	8,516,198	5,652,339	-	-	104,544	104,544	5,756,883	1.48
2019	8,516,198	5,654,725	545,000	0.88%	102,146	647,146	6,301,871	1.35
2020	8,516,198	5,658,427	550,000	0.88%	97,328	647,328	6,305,755	1.35
2021	8,516,198	5,655,982	555,000	0.88%	92,466	647,466	6,303,448	1.35
2022	8,516,198	5,665,176	560,000	0.88%	87,560	647,560	6,312,736	1.35
2023	8,516,198	4,466,157	565,000	0.88%	82,610	647,610	5,113,767	1.67
2024	8,516,198	4,247,598	570,000	0.88%	77,616	647,616	4,895,214	1.74
2025	8,516,198	4,255,020	575,000	0.88%	72,578	647,578	4,902,598	1.74
2026	8,516,198	4,257,192	580,000	0.88%	67,496	647,496	4,904,688	1.74
2027	8,516,198	3,985,444	585,000	0.88%	62,370	647,370	4,632,814	1.84
2028	8,516,198	3,987,710	590,000	0.88%	57,200	647,200	4,634,910	1.84
2029	8,516,198	3,841,361	595,000	0.88%	51,986	646,986	4,488,347	1.90
2030	8,516,198	3,435,429	600,000	0.88%	46,728	646,728	4,082,157	2.09
2031	8,516,198	3,442,135	605,000	0.88%	41,426	646,426	4,088,561	2.08
2032	8,516,198	2,949,433	610,000	0.88%	36,080	646,080	3,595,513	2.37
2033	8,516,198	2,953,066	615,000	0.88%	30,690	645,690	3,598,756	2.37
2034	8,516,198	2,801,265	625,000	0.88%	25,234	650,234	3,451,499	2.47
2035	8,516,198	2,393,194	630,000	0.88%	19,712	649,712	3,042,906	2.80
2036	8,516,198	2,130,890	635,000	0.88%	14,146	649,146	2,780,036	3.06
2037	8,516,198	1,807,018	640,000	0.88%	8,536	648,536	2,455,554	3.47
2038	8,516,198	-	650,000	0.88%	2,860	652,860	652,860	13.04
		\$ 83,489,683	\$ 11,880,000		\$ 1,203,382	\$ 13,083,382	\$ 96,573,066	

AVERAGE (MATURITY) LIFE	11.51 YEARS
NET INTEREST RATE	0.880%
COST SAVINGS	\$1,332,608
AVERAGE ANNUAL REQUIREMENT	\$4,389,685

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.

**Greater Texoma UA
62648 Sherman Water Treatment Plant
Expansion and Upgrade/Elevated Storage Tank
Engineering and Environmental Review**

Engineering:

Key Issues:

None known at this time.

Project Need/Description

Need: As outlined in the Region C Water Plan, the Grayson County Water Supply Project will provide additional surface water for water user groups in Grayson County, supplementing the existing groundwater and surface water supplies. Part of the Grayson County Water Supply Project includes the expansion of the Sherman Surface Water Treatment Plan.

In addition due to grown and an aging infrastructure, the City's water system does not have adequate capacity to maintain required storage and pressure requirements during scheduled maintenance and rehabilitation of the existing facilities.

Project Description: The City will expand and upgrade the water treatment plant to address regional needs and provide for future growth in the area. The project will include a dual membrane treatment process for expansion of the water treatment plant, and a concentrated disposal pipeline to a lift station. The City has previously received loans for planning and design of this project, and a loan for construction of the elevated storage tank, and water treatment plant improvements.

The engineer' estimate of cost for construction of the water treatment plant improvements has increased since receiving the TWDB construction commitment. The City is now requesting additional funds for the water treatment plant improvements, along with funds for construction of a concentrated disposal pipeline.

Project Schedule:

Project Task	Schedule Date
Closing	1/15/2017
Design Phase Complete	12/20/2015
Start of Construction	1/30/2016
Construction Completion	8/1/2017

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

As required by 31 Texas Administrative Code Chapter 371, Subchapter E, environmental review of the proposed project has been completed. A Finding of No Significant Impact was issued on June 24, 2015. In addition to the standard emergency discovery conditions for threatened and endangered species and cultural resources, the project must comply with the following conditions: (1) compliance with the terms and conditions of Nationwide Permit 12 for Utility Line Activities, which is scheduled to expire on March 18, 2017, and to the applicable Storm Water Pollution Prevention Plan; (2) compliance with state and federal laws and acquisition of required permits regarding protected species and habitats, and implementation of the Texas Parks and Wildlife Department's recommendations to the extent possible by inclusion in construction contract documents; and, (3) acquisition of a permit from the Grayson County Floodplain Administrator prior to construction in floodplains. The proposed project is in compliance with the National Environmental Policy Act.



Project Budget Summary

Greater Texoma UA

62648 - Sherman Water Treatment Plant Expansion and Upgrade/Elevated Storage Tank

Budget Items	Description	Previous Commitments	This Commitment	TWDB Funds	Total
Construction					
Construction		\$15,532,575.00	\$6,134,000.00	\$21,666,575.00	\$21,666,575.00
Construction Contract	Southwest 1.5 M.G. Elevated Tank; Lake Texoma WTP Expansion;	\$2,352,000.00	\$0.00	\$2,352,000.00	\$2,352,000.00
Subtotal for Construction		\$17,884,575.00	\$6,134,000.00	\$24,018,575.00	\$24,018,575.00
Basic Engineering Services					
Construction Engineering		\$610,468.00	\$0.00	\$610,468.00	\$610,468.00
Design		\$1,263,582.00	\$0.00	\$1,263,582.00	\$1,263,582.00
Planning		\$280,120.00	\$0.00	\$280,120.00	\$280,120.00
Subtotal for Basic Engineering Services		\$2,154,170.00	\$0.00	\$2,154,170.00	\$2,154,170.00
Special Services					
Application		\$4,976.00	\$0.00	\$4,976.00	\$4,976.00
Environmental		\$26,000.00	\$0.00	\$26,000.00	\$26,000.00
Inspection		\$137,500.00	\$0.00	\$137,500.00	\$137,500.00
Special Service Other (Describe)		\$3,359,425.00	\$0.00	\$3,359,425.00	\$3,359,425.00
Surveying		\$50,000.00	\$0.00	\$50,000.00	\$50,000.00
Subtotal for Special Services		\$3,577,901.00	\$0.00	\$3,577,901.00	\$3,577,901.00
Fiscal Services					
Bond Counsel		\$175,413.00	\$78,150.00	\$253,563.00	\$253,563.00
Bond Reserve Fund		\$0.00	\$2,290,000.00	\$2,290,000.00	\$2,290,000.00
Financial Advisor		\$91,944.00	\$49,916.00	\$141,860.00	\$141,860.00
Fiscal/Legal		\$12,015.00	\$9,500.00	\$21,515.00	\$21,515.00
Issuance Costs		\$3,923.40	\$2,000.00	\$5,923.40	\$5,923.40
Loan Origination Fee		\$656,516.00	\$261,418.00	\$917,934.00	\$917,934.00
Subtotal for Fiscal Services		\$939,811.40	\$2,690,984.00	\$3,630,795.40	\$3,630,795.40
Other					
Administration		\$12,200.00	\$7,000.00	\$19,200.00	\$19,200.00
Other (Describe)	Paying Agent;	\$3,416.00	\$2,200.00	\$5,616.00	\$5,616.00
Project Legal Expenses		\$2,400.00	\$500.00	\$2,900.00	\$2,900.00
Subtotal for Other		\$18,016.00	\$9,700.00	\$27,716.00	\$27,716.00
Contingency					
Contingency		\$5,250,526.60	\$3,045,316.00	\$8,295,842.60	\$8,295,842.60
Subtotal for Contingency		\$5,250,526.60	\$3,045,316.00	\$8,295,842.60	\$8,295,842.60
Total		\$29,825,000.00	\$11,880,000.00	\$41,705,000.00	\$41,705,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
 \$11,880,000 TO THE GREATER TEXOMA UTILITY AUTHORITY
 FROM THE DRINKING WATER STATE REVOLVING FUND
 THROUGH THE PROPOSED PURCHASE OF
 \$11,880,000 GREATER TEXOMA UTILITY AUTHORITY CONTRACT REVENUE
 BONDS, PROPOSED SERIES 2017 (CITY OF SHERMAN PROJECTS)

(16 -)

WHEREAS, the Greater Texoma Utility Authority (Authority) has filed an application for financial assistance in the amount of \$11,880,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the construction of certain water system improvements identified as Project No. 62648; and

WHEREAS, the Authority seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$11,880,000 Greater Texoma Utility Authority Contract Revenues Bonds, Proposed Series 2017 (City of Sherman Projects) (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 Authority has offered a pledge of contract revenues from the City of Sherman as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the Authority will be sufficient to meet all the Obligations assumed by the Authority, 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 Authority 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 the Executive Administrator issued a Finding of No Significant Impact on June 24, 2015, 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 Greater Texoma Utility Authority for financial assistance in the amount of \$11,880,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$11,880,000 Greater Texoma Utility Authority Contract Revenues Bonds, Proposed Series 2017 (City of Sherman Projects). 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 Authority;
3. this commitment is contingent upon the Authority'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 Authority, 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 Authority'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 Authority's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to such bonds under SEC Rule 15c2-12;
6. the Obligations must contain a provision requiring the Authority 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 Authority to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the Authority to submit a final accounting and disposition of any unused funds;
8. the Obligations must include a provision requiring the Authority to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting 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) deposit into a reserve fund;
9. 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;
10. 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;
11. loan proceeds shall not be used by the Authority 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 Authority 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 Authority, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
12. prior to closing, the Authority 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;
13. prior to closing, and if not previously provided with the application, the Authority 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;

14. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the Authority 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;
15. the Executive Administrator may require that the Authority execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
16. 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

17. the Authority'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 Authority when rendering this opinion;
18. the Authority'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 Authority when rendering this opinion;
19. the Obligations must include a provision prohibiting the Authority 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);
20. 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;
21. the Obligations must include a provision requiring the Authority 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 Authority 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 Authority may, however, to the extent permitted by law, commingle Gross Proceeds of its Loan with other money of the Authority, provided that the Authority 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 Authority 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;
22. the Obligations must include a provision prohibiting the Authority from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;

23. the Obligations must provide that the Authority will not cause or permit the Obligations to be treated as “federally guaranteed” obligations within the meaning of § 149(b) of the Code;
24. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the Authority’s reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
25. 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;
26. the Obligations must provide that neither the Authority 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 Authority by the TWDB;

State Revolving Fund Conditions

27. the Authority shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
28. 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 Authority, 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;
29. the Obligations must include a provision stating that the Authority 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 Authority 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;
30. 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 Authority will adhere to the approved project schedule;

31. The Obligations must contain a covenant that the Authority 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 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions

32. prior to or at closing, the Authority shall pay a 2.25% origination fee to the TWDB calculated pursuant to 31 TAC Chapter 371;
33. 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 Authority 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;
34. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the Authority 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

35. if the Authority 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. upon request by the Executive Administrator, the Authority shall submit annual audits of contracting parties for the Executive Administrator's review;
37. the Obligations must contain a provision requiring the Authority to maintain rates and charges sufficient to meet the debt service requirements on the outstanding debt Obligations that are being supported by the pledged contract revenues and will further require its customers to maintain rates and charges sufficient to pay all of their revenue obligations arising from the operation of the water and sewer system;
38. the Obligations must contain a provision that the pledged contract revenues from the Authority may not be pledged to the payment of any additional parity obligations of the Authority secured by a pledge of the same contract revenues unless the Authority demonstrates to the Executive Administrator's satisfaction that the pledged contract revenues will be sufficient for the repayment of all Obligations and additional parity obligations;

39. prior to closing, the Authority must submit executed contracts between the Authority and the City of Sherman regarding the contract revenues pledged to the payment of the Authority's Obligations, in form and substance acceptable to the Executive Administrator. Such contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges and collection of revenues sufficient to meet the Authority's debt service obligations and additional parity obligations;

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

Special Conditions:

40. the Authority shall not amend or revise the Water and Sewer Facilities contract with the City of Sherman, which is the revenue source for the pledge, if the revision or amendment affects the financial condition of the Authority or its ability to repay the loan described in this Commitment without receiving the written approval of the Executive Administrator.
41. 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 Authority has the right to use the water that the project financed by the TWDB will provide;
42. the Authority 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 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.

**Greater Texoma Utility Authority - City of Sherman,
Collin, Cooke, Fannin & Grayson County**

