

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: November 30, 2016

TEAM MANAGER: Nancy Richards

<b>APPLICANT</b>	Jefferson County Water Control and Improvement District No. 10
<b>TYPE OF ASSISTANCE</b>	\$1,000,000 Loan
<b>LEGAL PLEDGE</b>	First Lien on the Net Revenue of the Utility System

### STAFF RECOMMENDATION

Approve       No Action

### ACTION REQUESTED

Approve, by resolution, a request from the Jefferson County Water Control and Improvement District No. 10 (Jefferson County) for a \$1,000,000 loan from the Clean Water State Revolving Fund to finance planning, design, and construction of a new chlorine disinfection system, improvements to the existing wastewater treatment plant, and a pilot study of the plant's rock-reed filtering system.

### PROJECT

Wastewater Treatment Plant Rehab  
Project Number 73739

### BACKGROUND

The Jefferson County Water Control & Improvement District #10 (District) was created April 15, 1955 and provides water and sewer service for an area that was 333 acres at the time of creation. Through a series of subsequent annexations, the District has expanded to a size of 1,179 acres. The District is located north of and adjacent to the City of Nederland and about 1 mile south of the City of Beaumont, in southeast Texas. The District is currently under Texas Commission on Environmental Quality (TCEQ) enforcement regarding their wastewater treatment plant discharge. The District will use the funds to continue their evaluation of the sanitary system and improve the wastewater treatment process in accordance with the discharge permit limits currently being enforced by TCEQ.

### FINANCIAL

#### Key Issues

None.

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

### Pledge and Repayment

The District is pledging a first lien on the net revenues of the utility system to repay the proposed debt. Currently, there are no liabilities or liens on the utility system. Based on staff's analysis of financial documentation received, current revenues are sufficient to meet the proposed debt service requirements. The current combined monthly rate for water and sewer is \$50.40. The District proactively increased the monthly water and sewer rate in August 2016 by \$10.00 in anticipation of incurring additional debt for the construction of the project.

### Cost Savings

Based on a 20-year maturity and current interest rates, the District could save approximately \$125,940 over the life of the loan.

### Internal Risk Score

Staff assigns a 2A to the District and the proposed project to be funded by the Board. This means that the District's payment capacity is strong. The District's financial sustainability indicators are positive, operating trends are positive, and liquidity is strong.

The financial sustainability indicators for the District are strong. The District shows that it has the ability to repay its debt. The District produces net revenues of 2.66 times the annual debt service requirements for the first year of principal repayment. This higher coverage level indicates the District's ability to handle unexpected expenses or declines in demand and still meet debt service requirements.

The District scored well on other indicators showing the overall health of the District. The District 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 District has been stable over the last five years.

The District's socioeconomic indicators are below the state's median overall. Jefferson County's median household income of \$48,368 is 81% of the state's median. The County's unemployment rate of 6.1% is well beyond the state average of 4.8%.

The District maintains a liquidity position with cash and short-term investments equal to 145 days of operating expenses. An amount between 30-149 days is considered to be an adequate level of liquidity, which provides stability to the District by providing the resources needed to cover short-term, unplanned needs.

On average, the residential user pays 1.71% of their annual income for water and sewer services, which is just below the TWDB's benchmark of 2% for the two services.

**LEGAL**

Key Issues

None.

Conditions

Standard tax-exempt, net revenues and Clean Water State Revolving Fund conditions and additional conditions are as follows:

- Water conservation plan;
- Conversion; and,
- Conveyance.

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

**PROJECT DATA SUMMARY**

<b>Responsible Authority</b>	Jefferson County Water Control and Improvement District No.10
<b>Program</b>	Clean Water State Revolving Fund
<b>Commitment Codes</b>	L1000594
<b>Project Number</b>	73739
<b>Intended Use Plan Year</b>	2016
<b>Fund Number</b>	651
<b>Type of Pledge</b>	2-Revenue
<b>Revenue Pledge Level</b>	First
<b>Legal Description</b>	\$1,000,000 Utility System Revenue Bonds, Proposed Series 2017
<b>Tax-Exempt or Taxable</b>	Tax Exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay<>Escrow
<b>Population</b>	4,840
<b>Rural</b>	No
<b>Water Connections</b>	1,615
<b>Wastewater Connections</b>	1,615
<b>Qualifies as Disadvantaged</b>	No
<b>Disadvantaged Level</b>	9 - NA
<b>Clean Water State Revolving Fund Type</b>	Non-Equivalency
<b>Financial, Managerial and Technical Review Complete?</b>	N/A
<b>SWIFT Financing Type</b>	N/A
<b>SWIFT Project Type</b>	N/A
<b>Phase Committing</b>	Planning, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Approvable
<b>Water Rights Certification Required</b>	N/A
<b>Internal Risk Score</b>	2A
<b>External Ratings</b>	
<b>Standard and Poor's</b>	Not Rated
<b>Moody's</b>	A2 - GO Only
<b>Fitch</b>	Not Rated
<b>Special Issues</b>	None

**Project Team**

Manager	Nancy Richards
Financial Analyst	Charles R. Nichols
Engineering Reviewer	Lacey Bodnar
Environmental Reviewer	Jean Devlin
Attorney	Annette Mass

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
Jefferson County Water Control and Improvement District No. 10

**\$1,000,000 Utility System Revenue Bonds, Proposed Series 2017**

<b>Dated Date:</b>	<b>4/1/2017</b>	<b>Source:</b>	<b>CWSRF-NON-EQUIVALENCY</b>
<b>Delivery Date:</b>	<b>4/1/2017</b>	<b>Rate:</b>	<b>1.27%</b>
<b>First Interest:</b>	<b>10/1/2017</b>	<b>Insurance:</b>	<b>No</b>
<b>First Principal:</b>	<b>4/1/2018</b>	<b>Case:</b>	<b>-</b>
<b>Last Principal:</b>	<b>4/1/2037</b>	<b>Admin.Fee:</b>	<b>\$18,164</b>
<b>Fiscal Year End:</b>	<b>06/30</b>	<b>Admin. Fee Payment Date:</b>	<b>4/1/2017</b>
<b>Required Coverage:</b>	<b>1.0</b>		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$1,000,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2018	166,927	-	50,000	1.27%	12,700	62,700	62,700	2.66
2019	166,927	-	50,000	1.27%	12,065	62,065	62,065	2.69
2020	166,927	-	50,000	1.27%	11,430	61,430	61,430	2.72
2021	166,927	-	50,000	1.27%	10,795	60,795	60,795	2.75
2022	166,927	-	50,000	1.27%	10,160	60,160	60,160	2.77
2023	166,927	-	50,000	1.27%	9,525	59,525	59,525	2.80
2024	166,927	-	50,000	1.27%	8,890	58,890	58,890	2.83
2025	166,927	-	50,000	1.27%	8,255	58,255	58,255	2.87
2026	166,927	-	50,000	1.27%	7,620	57,620	57,620	2.90
2027	166,927	-	50,000	1.27%	6,985	56,985	56,985	2.93
2028	166,927	-	50,000	1.27%	6,350	56,350	56,350	2.96
2029	166,927	-	50,000	1.27%	5,715	55,715	55,715	3.00
2030	166,927	-	50,000	1.27%	5,080	55,080	55,080	3.03
2031	166,927	-	50,000	1.27%	4,445	54,445	54,445	3.07
2032	166,927	-	50,000	1.27%	3,810	53,810	53,810	3.10
2033	166,927	-	50,000	1.27%	3,175	53,175	53,175	3.14
2034	166,927	-	50,000	1.27%	2,540	52,540	52,540	3.18
2035	166,927	-	50,000	1.27%	1,905	51,905	51,905	3.22
2036	166,927	-	55,000	1.27%	1,270	56,270	56,270	2.97
2037	166,927	-	45,000	1.27%	572	45,572	45,572	3.66
		\$ -	\$ 1,000,000		\$ 133,287	\$ 1,133,287	\$ 1,133,287	

<b>AVERAGE (MATURITY) LIFE</b>	<b>10.5 YEARS</b>
<b>NET INTEREST RATE</b>	<b>1.270%</b>
<b>COST SAVINGS</b>	<b>\$125,940</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$56,664</b>

*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.*

**Jefferson Co WCID # 10  
73739 WWTP Rehab  
Engineering and Environmental Review**

**Engineering:**

Key Issues:

None known at this time.

Project Need/Description

Need: The Jefferson County Water Control & Improvement District (District) No. 10 is currently under TCEQ enforcement for their wastewater treatment plant (WWTP) to meet more stringent discharge limits. The existing WWTP is a facultative lagoon followed by a rock-reed filter system, which was constructed in 1993. Also, the existing WWTP does not have a disinfection system to comply with current TCEQ discharge permit criteria.

Description: This project includes two separate planned improvements to the District's WWTP. The first project component is a chlorine disinfection system that will include: concrete contact basin, chlorine system, piping modifications, a building to house the chemicals and electrical controls, and an emergency power generator. The second component is a pilot study of the WWTP's rock-reed filter system to improve treatment performance. If the pilot is successful, as anticipated, then improvements to the rock-reed filter will occur and the District will make said improvements. Both of these items are addressing WWTP performance criteria to comply with TCEQ discharge permit limits.

**Project Schedule:**

<b>Project Task</b>	<b>Schedule Date</b>
Closing	4/1/2017
Engineering Feasibility Report Completion (End of Planning Phase)	9/1/2017
Design Phase Complete	12/1/2017
Start of Construction	3/1/2018
Construction Completion	9/1/2018

**Environmental Section:**

Key Issues:

None known at this time.

Environmental Summary:

A Categorical Exclusion (CE) for this project has been proposed. Pursuant to the requirements of 31 Texas Administrative Code (TAC) §375, all financial assistance shall be conditioned to read that funding for design and construction costs for specific project elements will not be released until the environmental review has been completed and a favorable CE has been issued.

**Current Budget Summary  
Jefferson Co WCID # 10  
73739 - WWTP Rehab**

<b>Budget Items</b>	<b>TWDB Funds</b>	<b>Total</b>
<b>Construction</b>		
Construction	\$500,000.00	\$500,000.00
<b>Subtotal for Construction</b>	<b>\$500,000.00</b>	<b>\$500,000.00</b>
<b>Basic Engineering Services</b>		
Construction Engineering	\$9,000.00	\$9,000.00
Design	\$35,000.00	\$35,000.00
Planning	\$158,000.00	\$158,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$202,000.00</b>	<b>\$202,000.00</b>
<b>Special Services</b>		
Environmental	\$10,000.00	\$10,000.00
Inspection	\$18,000.00	\$18,000.00
Pilot Testing	\$75,000.00	\$75,000.00
Surveying	\$5,000.00	\$5,000.00
<b>Subtotal for Special Services</b>	<b>\$108,000.00</b>	<b>\$108,000.00</b>
<b>Fiscal Services</b>		
Bond Counsel	\$30,000.00	\$30,000.00
Bond Reserve Fund	\$77,500.00	\$77,500.00
Financial Advisor	\$18,291.00	\$18,291.00
Issuance Costs	\$15,709.00	\$15,709.00
Loan Origination Fee	\$18,164.00	\$18,164.00
<b>Subtotal for Fiscal Services</b>	<b>\$159,664.00</b>	<b>\$159,664.00</b>
<b>Contingency</b>		
Contingency	\$30,336.00	\$30,336.00
<b>Subtotal for Contingency</b>	<b>\$30,336.00</b>	<b>\$30,336.00</b>
<b>Total</b>	<b>\$1,000,000.00</b>	<b>\$1,000,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$1,000,000 TO JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT  
DISTRICT #10  
FROM THE CLEAN WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$1,000,000 JEFFERSON COUNTY WATER CONTROL IMPROVEMENT DISTRICT #10  
UTILITY SYSTEM REVENUE BONDS,  
PROPOSED SERIES 2017

(16- )

WHEREAS, the Jefferson County Water Control and Improvement District #10 (District) has filed an application for financial assistance in the amount of \$1,000,000 from the Clean Water State Revolving Fund (CWSRF) to finance the planning, design, and construction of certain wastewater system improvements identified as Project No. 73739; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$1,000,000 Jefferson County Water Control and Improvement District #10 Utility System Revenue Bonds, Proposed Series 2017 (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 District has offered a pledge of a first lien on the net system revenues as sufficient security for the repayment of the Obligations; and

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

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the District will be sufficient to meet all the Obligations assumed by the District, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;
3. that the District has submitted a proposed program of water conservation for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules; and
4. that the District has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007.

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

A commitment is made by the TWDB to the Jefferson County Water Control and Improvement District #10 for financial assistance in the amount of \$1,000,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$1,000,000 Jefferson County Water Control and Improvement District #10 Utility System Revenue Bonds, Proposed Series 2017. 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 District;
3. this commitment is contingent upon the District's compliance with all applicable requirements contained in 31 TAC Chapter 375;
4. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
5. the District, 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 District'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 District's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to such bonds under SEC Rule 15c2-12;
6. the Obligations must contain a provision requiring the District 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 District 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 District to submit a final accounting and disposition of any unused funds;
8. the Obligations must include a provision requiring the District 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 District 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 District 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 District, 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 District 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 District 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 District 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 District execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

#### Conditions Related To Tax-Exempt Status

16. the District'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 District when rendering this opinion;
17. the District'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 District when rendering this opinion;
18. the Obligations must include a provision prohibiting the District 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 District 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 District 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 District may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the District, provided that the District 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 District 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 District 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 District 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 District'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 District 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 District by the TWDB;

#### State Revolving Fund Conditions

26. the District 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 District, 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 District 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 District 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 District will adhere to the approved project schedule;
30. the Obligations must contain a covenant that the District 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 § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines;
31. the Obligations must contain language detailing compliance with the requirements set forth in 33 U.S.C. § 1382 *et seq.* related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in

accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets;

32. the District shall submit, prior to the release of funds, a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average projected useful life of the project, as determined by the schedule;

#### Clean Water State Revolving Fund Conditions

33. prior to or at closing, the District shall pay a 1.85% origination fee to the TWDB calculated pursuant 31 TAC Chapter 375;
34. at the TWDB's option, the TWDB may fund the financial assistance under this Resolution with either available cash-on-hand or from bond proceeds. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution;

#### Pledge Conditions For The Loan

35. 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;
36. if the District 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;
37. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the District certifies that the District is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the District must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

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

Special Conditions:

38. prior to closing, the District shall adopt and implement the water conservation program approved by the TWDB;
39. the District must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility; and
40. the Obligations must include a provision requiring that, prior to any action by the District to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB.

APPROVED and ordered of record this 30<sup>th</sup> 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
<b>Baseline</b>				
<b>5-year Goal</b>				
<b>10-year Goal</b>				

**WATER LOSS AUDIT YEAR:**

Total water loss (GPCD): \_\_\_\_\_      Total water loss (percent): \_\_\_\_\_      Wholesale Water  
 Total no. of connections: \_\_\_\_\_      Length of mains (miles): \_\_\_\_\_      Connections per mile: \_\_\_\_\_  
 If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): \_\_\_\_\_

**WATER LOSS THRESHOLDS:**

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :						
If population ≤ 10K, connections/mile ≥ 32 :						
If population > 10K :						

Does the applicant meet Water Loss Threshold requirements?      Yes      No      NA

**ADDITIONAL INFORMATION:**

**STAFF NOTES AND RECOMMENDATIONS:**

## DEFINITIONS

**Adopted** refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

**Apparent loss** refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

**Approvable** refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

**Best Management Practices** are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

**GPCD** means gallons per capita per day.

**Infrastructure Leakage Index (ILI)** is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a benchmarking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

**NA** means not applicable.

**Produced water** is the total amount of water purchased or produced by the utility.

**Real loss** comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

**Residential GPCD** is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

**Total baseline GPCD** is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

**Total water loss** is the sum of the apparent and real water losses.

**Water loss** is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

**Water Loss Thresholds** are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

# Jefferson County WCID #10, Jefferson County

