

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: January 11, 2018

TEAM MANAGER: Lee Huntoon

APPLICANT	City of Eldorado
TYPE OF ASSISTANCE	\$1,200,000 Obligations
LEGAL PLEDGE	Ad Valorem Tax and Surplus Net Revenues of the Combined Water, Sewer, Gas, and Sanitation System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the City of Eldorado (Schleicher County) for planning, design, and construction of a new elevated storage tank and water distribution system improvements and a request for a waiver from the requirement to include funds to mitigate water loss as part of the project.

PROJECT

New Elevated Storage Tank and Water Distribution System Improvements
Project Number 62785

BACKGROUND

The City of Eldorado (City) is located approximately 43 miles south of San Angelo, Texas and has been the county seat of Schleicher County since 1901. The City currently has two 50,000-gallon water towers, one of which is over 80 years old, deteriorated, and in need of replacement. The City is also nearing 1,000 connections and additional overhead storage is needed to meet the Texas Commission on Environmental Quality overhead storage requirements of 100 gallons per connection. Additionally, low pressure points exist in dead-end lines within the distribution system, causing reduced water pressure and increased detention time, requiring more frequent flushing of lines.

The City proposes to design and construct a new 100,000-gallon elevated storage tank to replace an existing elevated storage tank. Additionally, the City proposes to install approximately 3,200 linear feet of new 6-inch water line and related appurtenances to complete a loop and better connect the proposed elevated storage tank to the City's water

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE JANUARY 31, 2019

system. Finally, the City will also incorporate a new Supervisory Control and Data Acquisition (SCADA) system to monitor and control wells, pumps, and storage tanks.

The proposed water system upgrades will improve circulation and service pressure for existing City customers, and improve operation of the overall system.

FINANCIAL

Key Issues

The City has three existing loans with the Texas Water Development Board with a pledge of ad valorem taxes and surplus net revenues of the waterworks and sewer system. The proposed financing will be secured by a pledge of ad valorem taxes and surplus net revenues of the entire proprietary system, which includes water, sewer, gas, and sanitation revenues. The additional pledge of the sanitation and gas system surplus revenues strengthens the City's pledge.

Pledge and Repayment

The City is pledging ad valorem taxes and surplus net revenues for the repayment of the proposed loan. The City intends to repay the loan with all the pledged system revenues. The current combined average monthly water and wastewater rate is \$55.10. Based on staff's analysis of financial documentation received, current system revenues are sufficient to meet the existing and proposed debt service.

Cost Savings

Based on a 20-year maturity and current interest rates, the City could save approximately \$169,406 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 sustainability indicators are strong. These more heavily weighted risk score indicators show the City's short-term and long-term ability to repay the debt. The revenues available for debt service provide a high coverage ratio, representing 1.65 times the current and proposed debt service in the first year of principal repayment. In addition, the City's level of reinvestment in the assets of the utility's infrastructure is low with an asset condition ratio of 6 years. An asset condition ratio of 12 to 24 years is considered typical.

The City's socioeconomic indicators are on par with the state overall. The City's population has decreased at an average annual rate of 0.56 percent since 2010, compared to an increase at an annual rate of 1.08 percent for the population of the state overall. The TWDB population projections show the City's population remaining constant for the next 20 years. The City's median household income is \$48,125, which is 90 percent of the median for the state overall. The average, unadjusted, unemployment rate for the county was 3.1 percent in October 2017, compared to 3.5 percent in the state overall.

The current utility system rates are low with a household cost factor of 1.37 percent for water and wastewater services. The industry benchmark for the household cost factor is 2 percent for the two services.

All of the City's debt is supported by the utility system. The utility system self-supporting debt compared to operating revenues, including the proposed loans, is low at 1.99. A debt to operating revenues ratio of 4 to 6 is considered typical for utility systems. The system does maintain strong reserves with unrestricted cash and short-term investments of approximately 235 days of the operating expenses of the utility system. This is a high level of liquidity. Any amount between 30 and 150 days is considered to be a moderate level of liquidity.

The financial management of the utility system is strong, with net revenues of the system increasing each of the last five years. In addition, the City has a low level of debt, and maintains adequate reserves and a high level of liquidity. The City is assigned risk score of 2B.

LEGAL

Key Issues

None.

Conditions

Standard Drinking Water State Revolving Fund tax-exempt, and tax and surplus net revenue conditions.

- Attachments:
1. Project Data Summary
 2. Debt Service Schedule
 3. Engineering/Environmental Review
 4. Project Budget
 5. Resolution (18-)
 6. Water Conservation Review
 7. Location Map

Project Data Summary

Responsible Authority	City of Eldorado
Program	Drinking Water State Revolving Fund
Commitment Code	L1000708
Project Number	62785
Intended Use Plan Year	2018
Fund Number	951
Type of Pledge	3- Combo Tax and Rev
Revenue Pledge Level	Third
Legal Description	\$1,200,000 City of Eldorado, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2018
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	1,952
Rural	Yes
Water Connections	997
Wastewater Connections	878
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	No
Funding Phase Code	Planning, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

Team Manager	Lee Huntoon
Financial Analyst	Ben Munguia
Engineering Reviewer	Alyssa Azari
Environmental Reviewer	Chris Caran
Attorney	Alexis Lorick

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Eldorado

\$1,200,000 City of Eldorado, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2018

Dated Date: 3/1/2018	Source: DWSRF
Delivery Date: 3/1/2018	Rate: 2.00%
First Interest: 8/1/2018	Insurance: No
First Principal: 8/1/2019	Case: Revenue
Last Principal: 8/1/2038	Admin.Fee: \$25,257
Fiscal Year End: 08/31	Admin. Fee Payment Date: 3/1/2018
Required Coverage: 1.1	

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$1,200,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2018	\$341,606	\$133,388	-	-	\$10,000	\$10,000	\$143,388	2.38
2019	341,606	132,648	50,000	2.00%	24,000	74,000	206,648	1.65
2020	341,606	131,776	50,000	2.00%	23,000	73,000	204,776	1.67
2021	341,606	135,734	50,000	2.00%	22,000	72,000	207,734	1.64
2022	341,606	134,457	50,000	2.00%	21,000	71,000	205,457	1.66
2023	341,606	132,989	55,000	2.00%	20,000	75,000	207,989	1.64
2024	341,606	136,364	55,000	2.00%	18,900	73,900	210,264	1.62
2025	341,606	134,527	55,000	2.00%	17,800	72,800	207,327	1.65
2026	341,606	137,594	55,000	2.00%	16,700	71,700	209,294	1.63
2027	341,606	135,539	60,000	2.00%	15,600	75,600	211,139	1.62
2028	341,606	133,394	60,000	2.00%	14,400	74,400	207,794	1.64
2029	341,606	136,176	60,000	2.00%	13,200	73,200	209,376	1.63
2030	341,606	138,779	60,000	2.00%	12,000	72,000	210,779	1.62
2031	341,606	136,184	65,000	2.00%	10,800	75,800	211,984	1.61
2032	341,606	138,523	65,000	2.00%	9,500	74,500	213,023	1.60
2033	341,606	140,662	65,000	2.00%	8,200	73,200	213,862	1.60
2034	341,606	137,688	65,000	2.00%	6,900	71,900	209,588	1.63
2035	341,606	139,658	70,000	2.00%	5,600	75,600	215,258	1.59
2036	341,606	71,453	70,000	2.00%	4,200	74,200	145,653	2.35
2037	341,606	-	70,000	2.00%	2,800	72,800	72,800	4.69
2038	341,606	-	70,000	2.00%	1,400	71,400	71,400	4.78
		\$2,517,533	\$1,200,000		\$278,000	\$1,478,000	\$3,995,533	

AVERAGE (MATURITY) LIFE	11.58 YEARS
NET INTEREST RATE	2.000%
COST SAVINGS	\$169,406
AVERAGE ANNUAL REQUIREMENT	\$190,263

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.

Eldorado
62785 New Elevated Storage Tank and Water
Distribution System Improvements
Engineering and Environmental Review

Engineering:

Key Issues:

The City of Eldorado (City) is above its threshold for apparent water loss. The City has requested a waiver from including funds as part of this project to address its apparent loss. The City has recently replaced all its master meters and will have them calibrated annually to assure that the meters are accurately reading water that is being pumped into the system. In addition, the City's annual budget includes funding for customer meter change outs and upgrades that should improve customer meter accuracy.

Project Need/Description

Need: The City currently has two 50,000-gallon water towers, one of which (the City Hall Tower) is over 80 years old, deteriorated, and in need of replacement. The City is also nearing 1,000 connections and additional overhead storage will be required to meet Texas Commission on Environmental Quality overhead storage requirements of 100 gallons per connection. Additionally, low pressure points exist in dead-end lines within the distribution system causing increased detention time and requiring more frequent flushing of lines.

Description: The City proposes to design and construct a new 100,000-gallon elevated storage tank on property owned by the City to replace the City Hall elevated storage tank. Additionally, the City proposes to install approximately 3,200 linear feet of new 6-inch water line and related appurtenances to complete a loop and better connect the proposed elevated storage tank to the City's water system. Finally, the City will also incorporate a new Supervisory Control and Data Acquisition (SCADA) system to monitor and control wells, pumps, and storage tanks. The proposed water system upgrades will improve circulation and service pressure for existing City customers, and improve operation of the overall system.

Project Schedule:

Project Task	Schedule Date
Engineering Feasibility Report Completion (End of Planning Phase)	2/12/2018
Closing	3/1/2018
Design Phase Complete	4/2/2018
Start of Construction	6/14/2018
Construction Completion	11/21/2018

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude completion of the project. Based on this initial review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect implementation of the project.

Pursuant to the requirements of 31 Texas Administrative Code Chapter 371, Subchapter E, all financial assistance shall be conditioned that funding for design and construction of specific project elements will not be released until the environmental review is complete and a favorable environmental determination has been issued.



Project Budget Summary
 Eldorado
 62785 - New 100,000 Gallon Overhead
 Water Tower, Water Lines, SCADA
 System

Budget Items	This Commitment	Total
Construction		
Construction	\$850,000.00	\$850,000.00
Subtotal for Construction	\$850,000.00	\$850,000.00
Basic Engineering Services		
Construction Engineering	\$20,000.00	\$20,000.00
Design	\$74,000.00	\$74,000.00
Planning	\$25,000.00	\$25,000.00
Subtotal for Basic Engineering Services	\$119,000.00	\$119,000.00
Special Services		
Application	\$5,000.00	\$5,000.00
Environmental	\$5,000.00	\$5,000.00
Geotechnical	\$8,000.00	\$8,000.00
Inspection	\$21,000.00	\$21,000.00
Project Management (by engineer)	\$4,000.00	\$4,000.00
Surveying	\$2,000.00	\$2,000.00
Testing	\$15,000.00	\$15,000.00
Subtotal for Special Services	\$60,000.00	\$60,000.00
Fiscal Services		
Bond Counsel	\$17,500.00	\$17,500.00
Financial Advisor	\$24,000.00	\$24,000.00
Issuance Costs	\$12,660.00	\$12,660.00
Loan Origination Fee	\$25,257.00	\$25,257.00
Subtotal for Fiscal Services	\$79,417.00	\$79,417.00
Contingency		
Contingency	\$91,583.00	\$91,583.00
Subtotal for Contingency	\$91,583.00	\$91,583.00
Total	\$1,200,000.00	\$1,200,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$1,200,000 TO THE CITY OF ELDORADO
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$1,200,000 CITY OF ELDORADO, TEXAS, COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION,
PROPOSED SERIES 2018

(18-)

WHEREAS, the City of Eldorado (City), located in Schleicher County, has filed an application for financial assistance in the amount of \$1,200,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain water system improvements identified as Project No. 62785; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$1,200,000 City of Eldorado, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2018 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the City has offered a pledge of ad valorem taxes and surplus net revenues of the City's combined water, gas, sanitation, and sewer system 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 § 371.13; and

WHEREAS, the City is requesting a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the City's system water loss because (1) the City has replaced all master meters, calibrated annually to ensure the accuracy of the meters accounting for water entering the City's system, (2) it has budgeted for upgrades to customer meters, and (3) it recently completed other City water system improvements related to replacing leaking lines and the installation of new water lines; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* as well as state law, in accordance with Texas Water Code § 15.607;

3. that the City has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);
5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.053(j);
6. that based on the conditions, as described above, that the City is satisfactorily addressing the City's system water loss which supports a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the City's system water loss in accordance with Texas Water Code § 16.0121(g);

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

1. For the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.0121(g); and
2. A commitment is made by the TWDB to the City of Eldorado for financial assistance in the amount of \$1,200,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$1,200,000 City of Eldorado, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2018. This commitment will expire on January 31, 2019.

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 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 City to submit a final accounting and disposition of any unused funds;
8. 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 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 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;
12. 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;
13. 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;
14. 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;
15. the Executive Administrator may require that the City 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 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;

18. 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;
19. 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);
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 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;
- 22. 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;
 - 23. 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;
 - 24. 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;
 - 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 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:

27. the City 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 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;
29. 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;
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 City will adhere to the approved project schedule;
31. 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 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions:

32. prior to or at closing, the City shall pay a 2.15% origination fee to the TWDB calculated pursuant to 31 TAC Chapter 371 and the applicable Intended Use Plan;
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 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;
34. 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:

35. the Obligations must contain a provision that provides as follows:
 - a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or
 - b. if surplus revenues are based upon budgeted amounts:
 - i. the Obligations must include a requirement that the City transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance authorizing the issuance of the Obligations must include a requirement that the City shall not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;
 - ii. the Obligations must include a requirement that for each year the Obligations are outstanding, and prior to the time taxes are to be levied for such year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Obligations; and 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.

APPROVED and ordered of record this 11th day of January 2018.

TEXAS WATER DEVELOPMENT BOARD

Peter Lake
Authorized Representative of the
Texas Water Development Board

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

WATER CONSERVATION REVIEW

Entity: _____

Review date: _____

WATER CONSERVATION PLAN DATE: **Approvable** **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline				
5-year Goal				
10-year Goal				

WATER LOSS AUDIT YEAR:

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

WATER LOSS THRESHOLDS:

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

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

ADDITIONAL INFORMATION:

STAFF NOTES AND RECOMMENDATIONS:

DEFINITIONS

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

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

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

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

GPCD means gallons per capita per day.

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

NA means not applicable.

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

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

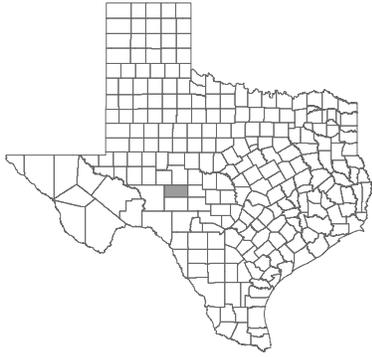
Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

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

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

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

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



City of Eldorado, Schleicher County

