

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: May 3, 2018

TEAM MANAGER: Mireya Loewe

<b>APPLICANT</b>	City of San Juan
<b>TYPE OF ASSISTANCE</b>	\$1,270,000 Financing
<b>LEGAL PLEDGE</b>	First Lien on Net System Revenues

### STAFF RECOMMENDATION

Approve       No Action

### ACTION REQUESTED

Approve by resolution a request from the City of San Juan (Hidalgo County) for \$1,270,000 in financing from the Clean Water State Revolving Fund for design and construction of improvements to its wastewater treatment plant.

### PROJECT

Wastewater Treatment Plant Improvements  
Project Number 73796

### BACKGROUND

The City of San Juan (City) provides wastewater services to a population of approximately 33,763 in Hidalgo County. The City operates a wastewater treatment plant (WWTP) with a capacity of 4.0 million gallons per day, located in the southwestern portion of the City.

The City's existing WWTP is currently relying on outdated and non-operational sludge drying beds and drying containers, which results in the City having to transport large amounts of wet sludge from the plant at an inordinate cost. To remedy this problem, the City's proposed project will replace inoperable drying beds and containers with a belt filter press system, allowing the City to transport low-moisture sludge at a much lower cost than what it is paying presently to haul sludge from the WWTP.

The belt filter press system will include a metal building, where the belt filter press will be housed; a sludge conveyor system; interior and exterior electrical improvements; and a polymer mixing and pump system. All components will be constructed on the site of the existing WWTP.

### FINANCIAL

#### Key Issues

None.

**COMMITMENT PERIOD: ONE YEAR TO EXPIRE MAY 31, 2019**

### Pledge and Repayment

The City is pledging net system revenues for the repayment of the proposed financing. The City's current combined average monthly water and wastewater rate is \$58.40. Current rates and charges are sufficient to meet existing and proposed debt service requirements.

### Cost Savings

Based on a 30-year maturity and current interest rates, the City could save approximately \$344,896 over the life of the financing.

### Internal Risk Score

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

The results of the City's financial 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 debt service coverage ratio is 1.75 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 high with an asset condition ratio of 33 years. An asset condition ratio of 25 to 75 years is considered strong.

The City's socioeconomic indicators are weaker than the state overall. The City's median household income of \$34,887 is 64 percent of the state's median. The City's unemployment rate of 8.0 percent is above the state average of 3.7 percent.

The current utility system rates are in line with the industry benchmark of 2 percent for two services at 2.01 percent. The City reports a strong liquidity position of 589 days of cash on hand. An amount greater than 250 days is considered to be a very strong level of liquidity.

The City's utility debt is supported by the utility system. The ratio of the utility system's self-supporting debt, including the proposed financing, to operating revenues of 0.98 is moderate. A debt to operating revenues ratio of less than 2.0 is considered strong for utility systems.

The City's strong liquidity, strong debt coverage ratio, and strong self-supporting debt ratio mitigate the slightly higher household cost factor and weak socioeconomic factors. The City is assigned a risk score of 2A.

## **LEGAL**

### Key Issues

None.

### Conditions

Standard Clean Water State Revolving Fund and tax-exempt 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**

<b>Responsible Authority</b>	City of San Juan
<b>Program</b>	Clean Water State Revolving Fund
<b>Commitment Code</b>	L10000749
<b>Project Number</b>	73796
<b>Intended Use Plan Year</b>	2018
<b>Type of Pledge</b>	2-Revenue
<b>Revenue Pledge Level</b>	First
<b>Legal Description</b>	\$1,270,000 City of San Juan, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2018
<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>	33,763
<b>Rural</b>	No
<b>Water Connections</b>	6,384
<b>Wastewater Connections</b>	8,885
<b>Qualifies as Disadvantaged</b>	9
<b>Disadvantaged Level</b>	N/A
<b>Clean Water State Revolving Fund Type</b>	Equivalency
<b>SWIFT Financing Type</b>	N/A
<b>SWIFT Characteristic</b>	N/A
<b>Financial Managerial &amp; Technical Complete</b>	N/A
<b>Funding Phase Code</b>	Design and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Adopted
<b>Water Rights Certification Required</b>	N/A
<b>Internal Risk Score</b>	2A
<b>External Ratings (for SRF rates)</b>	
<b>Standard and Poor's</b>	Non-Rated
<b>Moody's</b>	Non-Rated
<b>Fitch</b>	Non-Rated
<b>Special Issues</b>	None

**Project Team**

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

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
City of San Juan

**\$1,270,000 Waterworks and Sewer System Revenue Bonds, Proposed Series 2018**

<b>Dated Date:</b> 8/3/2018	<b>Source:</b> CWSRF-EQUIVALENCY
<b>Delivery Date:</b> 8/3/2018	<b>Rate:</b> 1.10%
<b>First Interest:</b> 2/1/2019	<b>Insurance:</b> No
<b>First Principal:</b> 8/1/2019	<b>Case:</b> Revenues
<b>Last Principal:</b> 8/1/2048	<b>Admin.Fee:</b> \$21,843
<b>Fiscal Year End:</b> 09/30	<b>Admin. Fee Payment Date:</b> 8/3/2018
<b>Required Coverage:</b> 1.0	

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$1,270,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2019	\$1,814,322	\$990,906	\$30,000	1.10%	\$13,892	\$43,892	\$1,034,798	1.75
2020	1,814,322	1,013,224	30,000	1.10%	13,640	43,640	1,056,864	1.72
2021	1,814,322	1,087,058	30,000	1.10%	13,310	43,310	1,130,368	1.61
2022	1,814,322	1,085,568	35,000	1.10%	12,980	47,980	1,133,548	1.60
2023	1,814,322	1,087,039	35,000	1.10%	12,595	47,595	1,134,634	1.60
2024	1,814,322	1,085,858	35,000	1.10%	12,210	47,210	1,133,068	1.60
2025	1,814,322	1,086,732	35,000	1.10%	11,825	46,825	1,133,557	1.60
2026	1,814,322	1,090,748	35,000	1.10%	11,440	46,440	1,137,188	1.60
2027	1,814,322	1,093,611	35,000	1.10%	11,055	46,055	1,139,666	1.59
2028	1,814,322	775,151	35,000	1.10%	10,670	45,670	820,821	2.21
2029	1,814,322	775,359	35,000	1.10%	10,285	45,285	820,644	2.21
2030	1,814,322	774,591	40,000	1.10%	9,900	49,900	824,491	2.20
2031	1,814,322	772,896	40,000	1.10%	9,460	49,460	822,356	2.21
2032	1,814,322	780,197	40,000	1.10%	9,020	49,020	829,217	2.19
2033	1,814,322	776,522	40,000	1.10%	8,580	48,580	825,102	2.20
2034	1,814,322	771,991	40,000	1.10%	8,140	48,140	820,131	2.21
2035	1,814,322	776,471	40,000	1.10%	7,700	47,700	824,171	2.20
2036	1,814,322	267,003	45,000	1.10%	7,260	52,260	319,263	5.68
2037	1,814,322	102,339	45,000	1.10%	6,765	51,765	154,104	11.77
2038	1,814,322	100,851	45,000	1.10%	6,270	51,270	152,121	11.93
2039	1,814,322	99,343	45,000	1.10%	5,775	50,775	150,118	12.09
2040	1,814,322	102,767	50,000	1.10%	5,280	55,280	158,047	11.48
2041	1,814,322	101,122	50,000	1.10%	4,730	54,730	155,852	11.64
2042	1,814,322	99,452	50,000	1.10%	4,180	54,180	153,632	11.81
2043	1,814,322	102,711	50,000	1.10%	3,630	53,630	156,341	11.60
2044	1,814,322	100,902	55,000	1.10%	3,080	58,080	158,982	11.41
2045	1,814,322	104,024	55,000	1.10%	2,475	57,475	161,499	11.23
2046	1,814,322	102,081	55,000	1.10%	1,870	56,870	158,951	11.41
2047	1,814,322	100,129	55,000	1.10%	1,265	56,265	156,394	11.60
2048	1,814,322	103,115	60,000	1.10%	660	60,660	163,775	11.08
		\$17,309,761	\$1,270,000		\$239,942	\$1,509,942	\$18,819,703	

<b>AVERAGE (MATURITY) LIFE</b>	<b>17.18 YEARS</b>
<b>NET INTEREST RATE</b>	<b>1.100%</b>
<b>COST SAVINGS</b>	<b>\$344,896</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$627,323</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.*



**San Juan**  
**73796 Wastewater Treatment Plant Improvements**  
**Engineering and Environmental Review**

**Engineering:**Key Issues:

None.

Project Need/Description

Project Need: The existing wastewater treatment plant is currently relying on outdated and non-operational drying beds and drying containers, resulting in the City of San Juan (City) having to transport large amounts of wet sludge at an inordinate cost.

Project Description: The project includes replacing the existing drying beds with a belt filter press at the City's wastewater treatment plant, which will allow the City to transport dryer sludge at a reduced cost due to the reduced volume.

**Project Schedule:**

<b>Project Task</b>	<b>Schedule Date</b>
Closing	8/3/2018
Engineering Feasibility Report Completion (End of Planning Phase)	8/10/2018
Design Phase Complete	9/1/2018
Start of Construction	12/1/2018
Construction Completion	12/1/2019

Schedule Notes: The City is funding the preparation of the EFR with its own funds. Staff will review and approve the EFR prior to the release of design funds.

**Environmental Section:**Key Issues:

None.

Environmental Summary:

As required by 31 Texas Administrative Code § 375.61, the environmental review of the proposed project has been completed. A Categorical Exclusion was issued on February 7, 2018. The proposed project is in compliance with the National Environmental Policy Act.



**Project Budget Summary**  
**San Juan**  
**73796 - Wastewater Treatment Plant**  
**Improvements**

Budget Items	This Commitment	TWDB Funds	Total
<b>Construction</b>			
Construction	\$916,275.00	\$916,275.00	\$916,275.00
<b>Subtotal for Construction</b>	<b>\$1,053,000.00</b>	<b>\$1,053,000.00</b>	<b>\$1,053,000.00</b>
<b>Basic Engineering Services</b>			
Construction Engineering	\$18,000.00	\$18,000.00	\$18,000.00
Design	\$80,000.00	\$80,000.00	\$80,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$98,000.00</b>	<b>\$98,000.00</b>	<b>\$98,000.00</b>
<b>Special Services</b>			
Geotechnical	\$9,500.00	\$9,500.00	\$9,500.00
Inspection	\$20,000.00	\$20,000.00	\$20,000.00
O&M Manual	\$2,000.00	\$2,000.00	\$2,000.00
Surveying	\$3,500.00	\$3,500.00	\$3,500.00
Testing	\$15,000.00	\$15,000.00	\$15,000.00
<b>Subtotal for Special Services</b>	<b>\$50,000.00</b>	<b>\$50,000.00</b>	<b>\$50,000.00</b>
<b>Fiscal Services</b>			
Bond Counsel	\$20,000.00	\$20,000.00	\$20,000.00
Financial Advisor	\$19,788.00	\$19,788.00	\$19,788.00
Issuance Costs	\$7,369.00	\$7,369.00	\$7,369.00
Loan Origination Fee	\$21,843.00	\$21,843.00	\$21,843.00
<b>Subtotal for Fiscal Services</b>	<b>\$69,000.00</b>	<b>\$69,000.00</b>	<b>\$69,000.00</b>
<b>Contingency</b>			
Contingency	\$136,725.00	\$136,725.00	\$136,725.00
<b>Subtotal for Contingency</b>	<b>\$136,725.00</b>	<b>\$136,725.00</b>	<b>\$136,725.00</b>
<b>Total</b>	<b>\$1,270,000.00</b>	<b>\$1,270,000.00</b>	<b>\$1,270,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$1,270,000 TO THE CITY OF SAN JUAN  
FROM THE CLEAN WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$1,270,000 CITY OF SAN JUAN, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE  
BONDS, PROPOSED SERIES 2018

(18- )

WHEREAS, the City of San Juan (City), located in Hidalgo County, has filed an application for financial assistance in the amount of \$1,270,000 from the Clean Water State Revolving Fund (CWSRF) to finance the design and construction of certain wastewater system improvements identified as Project No. 73796; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$1,270,000 City of San Juan, Texas Waterworks and Sewer System Revenue Bonds, 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 first lien on and pledge of 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 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 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 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 City 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 City of San Juan for financial assistance in the amount of \$1,270,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$1,270,000 City of San Juan, Texas Waterworks and Sewer System Revenue Bonds, Proposed Series 2018. This commitment will expire on May 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 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 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;

Conditions Related To Tax-Exempt Status:

16. the City's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion;
17. the City's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion;
18. the Obligations must include a provision prohibiting the City from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
19. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
  - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
  - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
  - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt

service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;

20. the Obligations must include a provision requiring the City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the City will:
  - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
  - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The City shall maintain a copy of such calculations for at least six years after the final Computation Date;
  - c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
  - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
21. the Obligations must include a provision prohibiting the City from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
22. the Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;

23. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the City's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
24. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply;
25. the Obligations must provide that neither the City nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the City by the TWDB;

State Revolving Fund Conditions:

26. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
27. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The City, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
28. the Obligations must include a provision stating that the City shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The City shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
29. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the City will adhere to the approved project schedule;

30. the Obligations must contain a covenant that the City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 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 City 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 City shall pay a 1.75% origination fee to the TWDB calculated pursuant 31 TAC Chapter 375 and the applicable Intended Use Plan;
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;
35. 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;
36. prior to release of funds for professional services related to architecture or engineering, including but not limited to contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. § 1102(2)(A)(C), the City must provide documentation that it has met all applicable federal procurement requirements as more specifically set forth in 40 U.S.C. § 1101 *et seq.* and 33 U.S.C. § 1382(b)(14).

Pledge Conditions For The Loan:

37. 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;
38. if the City has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations; and
39. 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 City certifies that the City 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 City must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

APPROVED and ordered of record this 3<sup>rd</sup> day of May 2018.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Peter Lake, 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.



# City of San Juan Hidalgo County

